Annual Report 2018

雲能國際
YUNNAN ENERGY INTERNATIONAL

Yunnan Energy International Co. Limited
雲能國際股份有限公司*
(formerly known as "Techcomp (Holdings) Limited 天美(控股)有限公司")*
(Incorporated in Bermuda with limited liability)
(Hong Kong Stock Code: 1298)
(Singapore Stock Code: T43)

* *for identification purpose only*

Contents

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of Yunnan Energy International Co. Limited (the "Company" or "Yunnan Energy"), I am pleased to present the Annual Report of the Company and its subsidiaries (collectively, the "Group" or "we") for the year ended December 31, 2018 ("FY2018").

OVERVIEW

During the year, the Group distributed all of its equity interest in Techcomp Instrument Limited, a then wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability, to the Company's previous shareholders by way of a distribution in specie. The Group's manufacturing business and overseas distribution business, being a major separate business segment of the Group, were solely undertaken by Techcomp Instrument Limited and its subsidiaries. Accordingly, the manufacturing business and overseas distribution business of the Group were discontinued upon the completion of the distribution in specie.

The Group's controlling shareholder has been changed to Baodi International Investment Company Ltd through a sale and purchase agreements, unconditional cash offer and placing of shares to restore the public float, after which the controlling shareholder holds an aggregate of 201,196,995 Shares, representing approximately 73.05% of the issued share capital of the Company. Subsequently, the name of the Company was changed from "Techcomp (Holdings) Limited" to "Yunnan Energy International Co. Limited" and the Chinese name "雲能國際股份有限公司" has been adopted and registered as the new secondary name of the Company in place of "天美（控股）有限公司"

The Group's current business primarily include distribution of branded analytical and laboratory instruments and life science equipment to the PRC and the provision of related repair and maintenance. Revenue in FY2018 decreased by 44.1% to US$81.3 million from US$145.5 million in for the year ended 31 December 2017 ("FY2017"), mainly attributable to the drop in orders. The Group recorded attributable loss of US$9.5 million in FY2018 compared to profit of US$1.0 million in FY2017 mainly due to the decrease in gross profit by US$13.6 million in FY2018 resulting from the decline in revenue.

PROSPECT

The global economic outlook, especially the negotiations between the UK and the European Union on the Brexit turmoil, is still subject to uncertainties and is anticipated to be challenging in 2019. As global uncertainties continue to dominate, the Group will closely observe the changes in political and business environment and continue and expand our business by leveraging the established business network and financial resources of the Group. The Group may also explore other business opportunities which may involve acquisitions or investments in assets and/or businesses or cooperation with a view of enhancing the Group's business growth and asset base as well as broadening its income stream.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all shareholders and customers for their continuing support and trust. And I would also like to express my gratitude to our management and staff for their contribution. Yunnan Energy will continue to optimize our development strategies and strive to maximize shareholders' interests.

Sincerely,

ZHANG JINCAN
Chairman
Hong Kong, 27 March 2019

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
ZHANG Jincan (Chairman, Chief Executive Officer)
JIANG Wei
ZHAO Na
HE Junyu

Independent Non-executive Directors
SHI Fazhen
KE Kasheng
JING Pilin

AUDIT COMMITTEE

SHI Fazhen (Chairman)
KE Kasheng
JING Pilin

NOMINATION COMMITTEE

ZHANG Jincan (Chairman)
SHI Fazhen
KE Kasheng
JING Pilin

REMUNERATION COMMITTEE

SHI Fazhen (Chairman)
ZHANG Jincan
KE Kasheng
JING Pilin

COMPANY SECRETARY

NG King Hang

BERMUDA RESIDENT REPRESENTATIVE AND ASSISTANT SECRETARY

Estera Services (Bermuda) Ltd
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12 Bermuda
Bermuda Company Registration Number
34778

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2008, 20/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

SINGAPORE SHARE TRANSFER AGENT

M & C Services Private Limited
112 Robinson Road
#05-01
Singapore 068902

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

COMPANY WEBSITE

www.yeigi.com

MANAGEMENT
DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Change of Company Name

Pursuant to a special resolution passed at the special general meeting of the Company held on 18 October 2018 and approved by the Registrar of Companies in Bermuda and the Registrars of Companies in Hong Kong, the name of the Company was changed from "Techcomp (Holdings) Limited" to "Yunnan Energy International Co. Limited" and the Chinese name "雲能國際股份有限公司" has been adopted and registered as the new secondary name of the Company in place of "天美（控股）有限公司"

Group Re-organisation

(a) Unconditional Mandatory Cash Offers and the Placing of Share by the Controlling Shareholder

Reference is made to (i) the composite offer and response document (the "**Listco Offer Document**") jointly issued by Baodi International Investment Company Ltd (the "**Offeror**") and the Company on 21 August 2018 and the announcement jointly issued by the Offeror and the Company on 11 September 2018 and 12 September 2018, respectively, in relation to, among other things, the results of the Listco Offers (as defined in the Listco Offer Document).

Immediately upon the close of the Listco Offers, the Offeror and the parties acting in concert with it became the controlling shareholder of the Company and held an aggregate of 261,793,955 Shares, representing approximately 95.05% of the issued share capital of the Company as at the closing of the Listco Offers. As stated in the Listco Offer Document, it is the intention of the Offeror to, by leveraging the established business network and financial resources of Yunnan Provincial Energy Investment Group Co., Ltd., continue and expand the continuing operations of the Company after the close of the Listco Offers.

In order to assist the Company to restore the public float, the Offeror had entered into a placing agreement for the placing of 60,957,000 Shares (the "**Placing Shares**") held by the Offeror at a placing price of HK$3.267 per Placing Share (the "**Placing**"). For details, please refer to the Company's announcement dated 3 December 2018.

(b) Completion of the Placing and Restoration of Public Float

As disclosed in the Company's announcement dated 10 December 2018, the Company was informed by the Offeror that completion of the Placing took place on the same date. Immediately upon completion of the Placing, a total of 74,240,005 Shares, representing 26.95% of the issued share capital of the Company as at the completion date of the Placing and the date of this annual report, are held by the public.

For the year ended 31 December 2018 ("**FY2018**"), the Group's revenue decreased by US$64.2 million or 44.1% to US$81.3 million from US$145.5 million for the year ended 31 December 2017("**FY2017**"), mainly attributable to the drop in orders.

The Group recorded attributable loss of US$9.5 million in FY2018 compared to profit of US$1.0 million in FY2017 mainly due to the decrease in gross profit by US$13.6 million in FY2018 resulting from the decline in revenue.

FINANCIAL REVIEW

Consolidated Statement of Profit or Loss and other Comprehensive Income

Revenue

Revenue in FY2018 decreased by 44.1% to US$81.3 million from US$145.5 million in FY2017, mainly attributable to the drop in orders.

Cost of sales

Cost of sales in FY2018 decreased by 45.5% to US$60.7 million from US$111.3 million in FY2017. The decrease was attributable to decline of revenue as well as the decrease in materials costs.

Gross profit and gross profit margin

The gross profit in FY2018 decreased by 39.8% to US$20.6 million from US$34.2 million FY2017. The gross profit margin in FY2018 was 25.3% compared to 23.5% in FY2017.

Other income and gains, net

Other income and gains, net in FY2018 decreased by 80.0% to US$0.1 million from US$0.5 million in FY2017. The decrease was mainly due to a gain on disposal of property, plant and equipment of US$0.4 million which was recorded in FY2017.

Selling and distribution expenses

Selling and distribution expenses in FY2018 decreased by 43.8% to US$5.9 million from US$10.5 million in FY2017, mainly due to the cost saving after the completion of the distribution in specie of shares in the subsidiaries.

Administrative expenses

Administrative expenses in FY2018 increased by 30.9% to US$12.7 million from US$9.7 million in FY2017, mainly due to the net foreign exchange loss and the professional fee incurred in relation to the Group's re-organisation and the distribution in specie of shares in the subsidiaries.

Other expenses

Other expenses in FY2018 increased by 400.0% to US$2.5 million from US$0.5 million in FY2017. The increase was mainly due to the impairment of trade and bills receivables and provision for inventories which were recorded in FY2018.

Finance costs

Finance costs in FY2018 increased by 33.3% to US$0.8 million from US$0.6 million in FY2017, mainly due to higher average interest rate for the year.

Profit/(loss) for the year

In view of the above, the Group recorded loss of US$9.5 million in FY2018 compared to profit of US$1.0 million in FY2017.

Consolidated Statement of Financial Position

Inventories

Inventories decreased by US$30.6 million from US$44.6 million as at 31 December 2017 to US$14.0 million as at 31 December 2018, mainly due to the lower overall level of inventories held to meet the expected demand.

Trade and bills receivables

Trade and bills receivables decreased by US$54.3 million from US$81.6 million as at 31 December 2017 to US$27.3 million as at 31 December 2018 due to the reduction of the business size after the completion of the distribution in specie of shares in the subsidiaries.

Trade and bills payables

Trade and bills payables decreased by US$14.2 million from US$20.0 million as at 31 December 2017 to US$5.8 million as at 31 December 2018 due to the reduction of the business size after the completion of the distribution in specie of shares in the subsidiaries.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group completed the distribution in specie of shares in the subsidiaries on 14 August 2018. Save for those disclosed in this annual report, there were no significant investments held by the Group as at 31 December 2018, nor were there other material acquisitions and disposals of subsidiaries by the Group during FY2018. Apart from those disclosed in this annual report, there was no other plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

PLEDGE ON ASSETS

The Group did not have any charges on its assets as at 31 December 2018.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any material contingent liabilities or capital commitment as at 31 December 2018.

EXPOSURE TO FLUCTUATIONS ON EXCHANGE RATES

The Group's transactions are mainly denominated in United States dollars, Japanese Yen, Hong Kong dollars and Renminbi. Therefore, the Group is exposed to foreign currency exchange risk. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management and the management will consider hedging against significant foreign exchange exposure should the need arise.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group's net current assets amounted to US$37.0 million (2017: US$68.9 million), of which the bank balances and cash were US$24.0 million (2017: US$14.4 million). The Group's current ratio was 2.2 (2017: 1.9).

MANAGEMENT
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Total bank borrowings, overdrafts and loan from a shareholder as at 31 December 2018 was US$19.3 million (2017: US$40.0 million). All the Group's bank borrowings, overdraft and loan from a shareholder were denominated in Japanese Yen, United States dollars and Hong Kong dollars. The Group's gearing ratio stood at 50.5% as at 31 December 2018 (2017: 48.7%), which is calculated based on the Group's total interest-bearing debts over the total equity. The Group adopts centralised financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short term and long term.

PROSPECTS

The global economic outlook, especially the negotiations between the UK and the European Union on the Brexit turmoil, is still subject to uncertainties and is anticipated to be challenging in 2019. As global uncertainties continue to dominate, the Group will closely observe the changes in political and business environment and continue and expand our business by leveraging the established business network and financial resources of the Group. The Group may also explore other business opportunities which may involve acquisitions or investments in assets and/or businesses or cooperation with a view of enhancing the Group's business growth and asset base as well as broadening its income stream.

EMPLOYEES AND EMOLUMENT POLICY

As at 31 December 2018, there were 354 (2017: 865) employees in the Group. Staff remuneration packages are determined after considering the market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

BOARD OF DIRECTORS

Executive Directors

MR. ZHANG JINCAN (張錦燦) ("Mr. Zhang"), aged 42, has been appointed as an executive Director, the Chairman and the Chief Executive Officer on 11 September 2018. He is also the Chairman of the Nomination Committee and a member of the Remuneration Committee. He graduated from town construction profession of Yunnan Industrial University in 1999. In 2010, Mr. Zhang was awarded a senior engineer certificate from Urban Construction Environmental Engineering Senior Engineer Review Committee of Yunnan Province. In 2012, Mr. Zhang obtained a master's degree in engineering management from Kunming University of Science and Technology. Mr. Zhang joined the Yunnan Provincial Energy Investment Group Co., Ltd. group (the "YEI Group") in 2014, and is currently the assistant president of YEI Group. He is also currently the chairman of Yunnan Energy (HK) Investment Co. Ltd., as well as the director of Baodi International Investment Company Limited and the chairman of 雲南能投對外能源開發有限公司 and 雲能國際(新加坡)投資有限公司, respectively.

MR. JING WEI (姜衛) ("Mr. Jing"), aged 46, has been appointed as an executive Director on 11 September 2018. He graduated from international trade profession of Yunnan University in 1993. In 2005, Mr. Jiang also graduated from law profession of Yunnan Minzu University. In 2014, Mr. Jiang obtained a master's degree in industrial engineering from North China Electric Power University. Since 2005, Mr. Jiang has worked in various entities of the YEI Group, including: Weixin Yuntou Yuedian Zhaixi Energy Co., Ltd., Yunnan Provincial Energy Investment Group Beijing Investment Consulting Co., Ltd., Yunnan Energy Investment (HK) Co. Limited and 駐澳門商務代表處(辦事處). Mr. Jiang is currently the senior vice president of Yunnan Energy Investment (HK) Co. Limited as well as the director of 雲南能投(北京)投資諮詢有限公司 and Baodi International Investment Company Limited.

MS. ZHAO NA, (趙娜) ("Ms. Zhao"), aged 42, has been appointed as an executive Director on 11 September 2018. She graduated with a bachelor's degree in auditing from Nanjing Audit University in 1999. Ms. Zhao was a qualified person after passing the accounting qualification examination in the PRC in 2001. Ms. Zhao was employed in the financial management department of various entities of the YEI Group since 2013, including: 雲南省電力投資有限公司, 雲南投資滇中配售電有限公司, 雲南省配售電有限公司 and Yunnan Energy Investment (HK) Co. Limited. Ms. Zhao is currently the director of finance at Yunnan Energy Investment (HK) Co. Limited, 雲南能投對外能源開發有限公司 and 雲能國際(新加坡)投資有限公司, respectively.

MR. HE JUNYU (何駿宇) ("Mr. He"), aged 29, has been appointed as an executive Director on 11 September 2018. He is a chartered fellow of the Chartered Institute for Securities and Investment (Chartered MCSI). In 2013, Mr. He graduated from University of International Business and Economics (Beijing, China) with a bachelor's degree in finance and a bachelor's degree in economics. In 2014, Mr. He obtained a master of science in finance from Imperial College London. Mr. He is currently also enrolled at the Hong Kong Polytechnic University doctor of business administration part-time programme. In 2014, Mr. He worked as a financial analyst for Aperios Partners Global Emerging Markets Hedge Fund in London, the United Kingdom. In 2015, Mr. He served as assistant manager and deputy manager of the investment department of Yunnan Energy Investment (HK) Co. Limited and also served as director of 雲南能投新能源投資開發有限公司 between 2016 to 2017. Currently, Mr. He is the managing director of the investment department of Yunnan Energy Investment (HK) Co. Limited as well as the director of Baodi International Investment Company Limited, Yunnan Energy International Investment (Singapore) Pte. Ltd. and PT. Yunnan Energy International Investment Indonesia, respectively.

BOARD OF DIRECTORS

Independent non-executive Directors

MR. SHI FAZHEN (施法振) ("Mr. Shi"), aged 55, has been appointed as an independent non-executive Director on 30 November 2018. He is also the chairman of each of the Audit Committee and the Remuneration Committee and a member of the Nomination Committee. He has over 17 years of experience in the field of audit and accounting. Since 2016, he has acted as the president at Shenzhen Zhonglun Accountants Firm (General Partnership)* (深圳中倫會計師事務所(普通合夥)). From 2014 to 2016, he served as the vice president at Shenzhen Chengxin Accountants Firm (Special General Partnership)* (深圳誠信會計師事務所(特殊普通合夥)). From 2001 to 2014, Mr. Shi held various positions at Shenzhen Mahong Accountants Firm* (深圳馬洪會計師事務所) and Shenzhen Licheng Accountants Firm* (深圳力誠會計師事務所). Prior to that, he has worked at Hubei Xiangfan Huipu Industrial Co., Ltd.* (湖北省襄樊市惠普實業有限公司) for over 17 years. Mr. Shi graduated from Zhongnan University of Finance and Economics in December 1990, majoring in industrial economic management. In 2001, he obtained his qualification as a certified public accountant in the People's Republic of China ("PRC"). In 2007, he obtained the qualification as an intermediate economist. Mr. Shi takes an active role in community services and currently serves as the supervisor and vice president at the Shenzhen Transparent and Harmonious Community Promotion Centre*(深圳市透明和諧社區促進中心). He is also a supervisor of the 1st Owner Committee of the Science and Technology Park (Zone 48) of Nanshan District, Shenzhen, PRC.

MR. KE KASHENG (柯卡生) ("Mr. Ke"), aged 55, has been appointed as an independent non-executive Director on 30 November 2018. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He is currently the president of Beijing Shengbao Tongda Electrical Engineering Co., Ltd* (北京盛寶通達電氣工程有限公司), the executive director of Fantasia Group (China) Company Limited, a wholly-owned subsidiary of the Fantasia Holdings Group Co., Limited (a company listed on the main board of the Stock Exchange (stock code: 1777)), and the chairman of the Education Foundation of Central University of Finance & Economics (中央財經大學教育基金會). Mr. Ke has extensive experience in the field of financial management. He started his career at the Currency Issue Department of Guangdong Branch of The People's Bank of China ("PBOC") in July 1984 and held various positions in PBOC and China Banking Regulatory Commission ("CBRC"), including deputy chief and chief of the Currency Issue Department of Guangdong Branch of PBOC from June 1989 to April 1992, deputy director of the General Office of Guangdong Branch of PBOC from April 1992 to April 1996, director of the Comprehensive Planning Division of Guangdong Branch of PBOC from April 1996 to November 1996, president of Shantou Branch of PBOC from November 1996 to April 2000, director of the Internal Audit Division and vice president of Guangzhou Branch of PBOC from April 2000 to July 2003, member of the preparation team and deputy director of the Guangdong Office of CBRC from July 2003 to May 2006, and director of the Non-banking Financial Institution Regulatory Department of CBRC from May 2006 to October 2012. From October 2012 to August 2017, Mr. Ke served as an executive director and the president of China Huarong Asset Management Co., Ltd., a company listed on the main board of the Stock Exchange (stock code: 2799). Mr. Ke obtained a bachelor degree in economics, majoring in finance, from the Central Institute of Finance and Economics (now known as the Central University of Finance & Economics) in July 1984, a master degree in business operation, majoring in business operation, from the graduate school of Aichi University of Japan in March 1995, and obtained an MBA degree for senior management from Cheung Kong Graduate School of Business in September 2007.

MS. JING PILIN, (景丕林) ("Ms. Jing"), aged 68, has been appointed as an independent non-executive Director on 30 November 2018. She is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. She was accredited as a senior economist by China Construction Bank Corporation in December 1993. She is currently a part-time professor as well as a tutor for the post-graduate programs at the Zhongnan University of Economics and Law. Ms. Jing has over 35 years of experience in the field of investment and finance. From June 2005 to December 2013, she served as the general manager of China Investment Consultancy Company* (中國投資咨詢公司), she was also the general manager of the investment banking division and agency division at China Jianyiu Investment Limited as well as an independent director of UBS Securities Co., Limited. From 1995 to 2004, she held various leading positions at the head office of the Construction Bank, primarily responsible for the investment management of large and medium-sized projects. She was also in charge of the reorganisation of Huaxia Securities and Beijing Securities at China Jianyiu Investment Limited. Ms. Jing obtained her bachelor's degree in infrastructure-economics from the Hubei University of Economics (now known as Zhongnan University of Economics and Law) in 1983. In 2005, she won the National Financial System Labor Day Medal.

MR. LO YAT KEUNG (勞逸強) ("Mr. Lo"), aged 60, is a consultant and be responsible for the overall management and operations of the Techcomp Scientific Limited, including but not limited to the selection and appointment of senior management to assist the management and operation of the Techcomp Scientific Limited and charting and reviewing of the corporate directions and strategies. Techcomp Limited was incorporated by Mr. Lo in January 1991. Mr. Lo was appointed to the Board and nominated as President of the Company on 9 February 2004. He was re-elected as Director on 19 May 2017 and had resigned as an executive Director, the chairman of the Board, the chief executive officer, the president, and an authorised representative on 11 September 2018. With over 20 years of experiences in the life science research and equipment industry, he has been instrumental in the growth of the Group. Mr. Lo graduated with a Bachelor of Science from the Chinese University of Hong Kong in 1981 and obtained a Master in Business Administration from the same university in 1986.

MR. CHAN WAI SHING (陳慰成) ("Mr. Chan"), aged 50, is a consultant and be responsible for formulating and monitoring the Techcomp Scientific Limited' overall strategic plan, the Techcomp Scientific Limited' sales and overall operations in the PRC and Macau. Mr. Chan was appointed to the Board and nominated as vice-president of the Company on 9 February 2004 and was re-elected as Director on 27 April 2015. Prior to joining the Group, Mr. Chan worked as an executive officer with the Hong Kong Government from June 1990 to October 1990. He joined the Group in 1991 as a product specialist. In 1992, he was promoted to sales manager and his main responsibilities were leading the sales teams of the Group, promoting strategies and directions and building relationships with customers and distributors. In July 1996, he was appointed as a vice- president which he assisted in the analysis of technical derivation and coordination of technical services and sales. He had resigned as an executive Director and the vice-president on 11 September 2018. Mr. Chan obtained a Bachelor of Science from the Chinese University of Hong Kong in 1990.

MR. NG KING HANG (吳勁衡) ("Mr. Ng") aged 36, is the financial controller and company secretary of the Group. He is currently responsible for the overall financial management and company secretaries matters of the Group. He is a is a registered member of the Hong Kong Institute of Certified Public Accountants. Mr. Ng obtained a master's degree in accountancy from The Hong Kong Polytechnic University in 2013 and a bachelor's degree in business administration (honours) (major in accounting) from The Open University of Hong Kong in 2007. Mr. Ng is currently the company secretary of Yunnan Energy Investment (HK) Co. Limited. He was the financial controller and company secretary of Megalogic Technology Holdings Limited (Stock Code: 8242) from June 2015 to June 2018 and from April 2016 to September 2017, respectively. He served as an assistant manager of HLM CPA Limited from July 2010 to July 2015.

CORPORATE GOVERNANCE REPORT

Introduction

The Board is committed to maintaining high standards of corporate governance to advance its mission to create value for the Company's shareholders. This report sets out the corporate governance practices that are in place during the year ended 31 December 2018 with reference to the principles and guidelines of the Corporate Governance Code (the "Hong Kong Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "SEHK"), as well as any deviation from the code provisions of the Hong Kong Code together with an explanation for such deviation. Save as disclosed in the relevant paragraphs of this Corporate Governance Report, the Company had complied with the code provisions of the Hong Kong Code during the Year.

Board Matters

Role and Responsibilities of the Board

The Board effectively leads the Company, working together with the Company's senior management (the "Management") to achieve success for the Company and its subsidiaries (collectively, the "Group"). Management remains accountable to the Board.

In addition to its statutory duties, the Board's principal functions are to:

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

(c) review management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Board approval is required for transactions or matters such as major investments, corporate restructuring, mergers and acquisitions, material acquisitions or disposal of assets, the release of the Group's financial results announcements, interested person transactions of a material nature and declaration of dividends.

Board Composition

As at the date of this report, the Board has seven Directors, comprising four executive Directors and three independent non-executive Directors.

Executive Directors	Mr. ZHANG Jincan (Chairman and Chief Executive Officer) Mr. JIANG Wei Ms. ZHAO Na Mr. HE Junyu
Independent non-executive Directors	Mr. SHI Fazhen Mr. KE Kasheng Ms. JING Pilin

Due to the change in control of the Company, Mr. Lo Yat Keung (the "Mr. Lo") had resigned as an executive Director, the chairman of the Board, the chief executive officer, the president, and an authorised representative of the Company; Mr. Chan Wai Shing (the "Mr. Chan") had resigned as an executive Director and the vice-president of the Company; Mr. Christopher James O'Connor (together with Mr. Lo and Mr. Chan, the "Resigning Directors") had resigned as an executive Director on 11 September 2018. In place of the Resigning Directors, Mr. Zhang Jincan has been appointed as an executive Director, the chairman of the Board, and the chief executive officer of the Company; Mr. Jiang Wei has been appointed as an executive Director and an authorised representative of the Company; Ms. Zhao Na and Mr. He Junyu have been appointed as an executive Director on 11 September 2018. Each of Mr. Seah Kok Khong, Manfred, Ho Yew Yuen and Teng Cheung Kwee had resigned as an independent non-executive Director on 30 November 2018. In place of the resignation of independent non-executive Directors, each of Mr. Shi Fazhen, Mr. Ke Kasheng and Ms. Jing Pilin has been appointed as an independent non-executive Director on 30 November 2018.

The independent non-executive Directors and executive Directors have been appointed for a term of one year and three years respectively, subject to retirement by rotation at annual general meeting and being eligible, to offer themselves for re-election.

Pursuant to bye-law 107(B) of the Bye-Laws of the Company, each of Mr. ZHANG Jincan, Mr. JIANG Wei, Ms. ZHAO Na, Mr. HE Junyu, Mr. SHI Fazhen, Mr. KE Kasheng and Ms. JING Pilin, who were appointed during the year, will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. On 27 March 2019, the Board, with the recommendation of the Nomination Committee, proposed that all the retiring Directors stand for re-election at the forthcoming AGM.

Information about the Board Diversity Policy and the review of the Board composition, nomination of retiring Directors as well as the independence assessment during the year ended 31 December 2018 is set out in the below section headed "Nomination Committee" of this Corporate Governance Report.

The criterion for independence is based on the factors set out in the Listing Rules. The Board considers an independent Director as one who, inter alia, has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to ensuring the best interests of the Company. The NC reviews the independence of each Director annually and applies the Listing Rules' criterion on who qualifies as an independent Director in its review. Notwithstanding the tenure of service, the Board considers that Mr. Shi, Mr. Ke and Ms. Jing continue to be independent and professional as set out in Rule 3.13 of the Listing Rules as they have each continued to demonstrate independent judgment in the discharge of their responsibilities as a Director, and they are not connected with any of the Directors, the chief executive or substantial shareholder of the Company.

The composition of the Board complies with the requirements in the Listing Rules that at least three Directors be independent and non-executive (representing at least one-third of the Board) and that at least one of whom must possess appropriate professional qualifications in accounting or related financial management expertise. Furthermore, the Company has received from each of its independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors to be independent as at the date of this annual report.

The nomination committee of the Board (the "NC") is of the view that the current board size and composition is appropriate, taking into account the nature and scope of the business and operations of the Group. Biographical details of the Directors are set out on pages 7 and 8 of this Annual Report. Save as disclosed in this annual report, and to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

Particulars of interests of Directors who held office at the end of the year in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Report of the Directors on pages 26 to 39 of this Annual Report.

The Board has formed three committees namely, Audit Committee (the "AC"), Remuneration Committee (the "RC") and the NC and has delegated different responsibilities to these committees as set out in their respective terms of reference published on the websites of HKSE, SGX-ST and the Company, to facilitate the discharge of its responsibilities efficiently and effectively.

The Board and sub-committees of the Board (namely, the AC, the RC and the NC, collectively, the "Board Committees") meet regularly during the Year. Ad hoc meetings and/or discussions (including via tele conferencing) are convened when circumstances require. The Company's bye-laws (the "ByeLaws") provide for participation at meetings via telephone and other electronic means. Details of the Directors' attendance at meetings of the Board and Board committee in the Year are disclosed as follows:

	Number of Meetings Attended/Eligible to attend for the year ended 31 December 2018					
	Board meeting(s)	AC meeting(s)	NC meeting(s)	RC meeting(s)	Annual General Meeting	Special General Meeting(s)
Executive Directors						
Mr. LO Yat Keung(1)	2/2	–	–	–	1/1	1/1
Mr. CHAN Wai Shing(1)	2/2	–	–	–	1/1	1/1
Mr. Christopher James O'CONNER(1)	2/2	–	–	–	1/1	0/1
Mr. ZHANG Jincan(2)	2/2	–	–	–	–	1/1
Mr. JING Wei(2)	2/2	–	–	–	–	1/1
Ms. ZHAO Na(2)	2/2	–	–	–	–	1/1
Mr. HE Junyu(2)	2/2	–	–	–	–	1/1
Independent non-executive Directors						
Mr. HO Yew Yuen(3)	3/3	2/2	1/1	1/1	1/1	2/2
Mr. SEAH Kok Khong, Manfred(3)	3/3	2/2	1/1	1/1	1/1	1/2
Mr. TENG Cheong Kwee(3)	3/3	2/2	1/1	1/1	1/1	2/2
Mr. SHI Fazhen(4)	1/1	–	–	–	–	–
Mr. KE Kasheng(4)	1/1	–	–	–	–	–
Ms. JING Pilin(4)	1/1	–	–	–	–	–

Notes:

(1) Resigned on 11 September 2018 and there were two Board meetings, one AGM and one SGM during his tenure.

(2) Appointed on 11 September 2018 and there were two Board meetings, one SGM following that date.

(3) Resigned on 30 November 2018 and there were three Board meetings, two meetings of the AC, one meeting of the NC, one meeting of the RC, one AGM and two SGM during his tenure.

(4) Appointed on 30 November 2018 and there was one meeting of the Board following that date.

Pursuant to code provision A.2.7 of the Hong Kong Code, the chairman should at least annually hold meetings with the independent non-executive Directors without the presence of the executive Directors. During the year, the Chairman did not hold any meeting with the independent non-executive Directors without the presence of the executive Directors. However, the independent non-executive Directors may call for meetings from time to time and provide feedback to the Chairman to express their views. The Company is of the view that there is efficient communication between the Chairman and the independent non-executive Directors.

Induction and Continuing Development of Directors

Newly appointed Directors will be briefed on the history and business operations and corporate governance practices of the Group.

As part of the programme to enable Directors to be familiar with the Group's operations and activities, the Group would arrange for Directors to visit key sites of operations from time to time, and ongoing training helps Directors keep abreast of their responsibilities as a Director of the Company and of the business activities and development of the Group.

Under code provision A.6.5 of the Hong Kong Code, Directors are expected to participate in appropriate continuous professional development to update and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year, the Company's legal advisers conducted internally facilitated briefings for the Directors and related reading materials on relevant topics were issued to Directors. The Company Secretary had also provided annual updates and briefing notes to all Directors on the Bye-laws and regulations. All Directors are also encouraged to attend relevant training courses at the Company's expense.

According to the training records provided by the Directors, the training received by each of the Directors during the year is summarized as follows:

Name of Directors	Attending briefing conducted by legal advisers and Company Secretary on regulations, corporate governance and update on Listing Rules	Attending seminars/ workshops regarding financial, management, business skills and/or director's duties and responsibilities	Reading newspapers, journals and other relevant materials relating to the economy, environmental protection, director's profession, etc.
Executive Directors			
Mr. Lo Yat Keung(1)			
Mr. Chan Wai Shing(1)	✓	✓	✓
Mr. Christopher James O'Connor(1)	✓	✓	✓
Mr. Zhang Jincan(2)	✓	✓	✓
Mr. Jing Wei(2)	✓	✓	✓
Ms. Zhao Na(2)	✓	✓	✓
Mr. He Junyu(2)	✓	✓	✓
Independent non-executive Directors			
Mr. Ho Yew Yuen(3)	✓	✓	✓
Mr. Seah Kok Khong, Manfred(3)	✓	✓	✓
Mr. Teng Cheong Kwee(3)	✓	✓	✓
Mr. Shi Fazhen(4)	✓	✓	✓
Mr. Ke Kasheng(4)	✓	✓	✓
Ms. Jing Pilin(4)	✓	✓	✓

Notes:

(1) Resigned on 11 September 2018.

(2) Appointed on 11 September 2018.

(3) Resigned on 30 November 2018.

(4) Appointed on 30 November 2018.

Chairman and Chief Executive Officer

Mr. Zhang Jincan is the Chairman and the Chief Executive Officer (the "CEO") of the Company. He plays a vital role in developing the business of the Group and provides leadership and vision to the Group. As the Chairman of the Board, he is responsible for ensuring the proper functioning of the Board and ensuring that procedures are introduced to comply with the Hong Kong Code. Mr. Zhang's concurrent position as Chairman and Chief Executive Officer is a deviation from code provision A.2.1 of the Hong Kong Code.

Accordingly to code provision A.2.1 of the Hong Kong Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Given the size of the Company's current business operations and the nature of its activities, the Board is of the view that it is not necessary to separate the roles of the Chairman and Chief Executive Officer of the Company. In addition, three out of seven directors are independent non-executive directors of the Company, all independent non-executive directors of the Company are members of each of the three Board Committees. In view of these, the Board is of the opinion that there is an appropriate balance of power within the Board, and that there is no undue concentration of power and authority in a single individual. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are in line with those in the Hong Kong Code.

Practices and Conduct of Meetings

Notice of regular Board meetings are served to all Directors at least 14 days before the meetings to give them an opportunity to attend. For other Board meetings, reasonable notice has been given to all Directors.

The Directors will receive details of agenda and minutes of Board/Board Committees' meetings in advance of and after each Board/Committees' meeting respectively.

The Board is provided with complete, adequate and timely information of the Group's performance and is informed of all material events and transactions as and when they occurred. The Directors have separate and independent access to the Company's senior management and the Company Secretary at all times. The management updates the Board on the Group's performance and outlook at each Board meeting. The Directors, in consultation with the Chairman, have the right to seek, either individually or as a group, in the furtherance of their duties, independent professional advice, if necessary, at the Company's expense.

Mr. Ng King Hang, the Company Secretary, attends all Board meetings and is responsible for ensuring that Board procedures are followed. Mr. Ng, together with the management, is also responsible for ensuring the Group's compliance with the Bermuda Companies Act and all other rules and regulations that are applicable to the Group.

Moreover, the Company Secretary prepares minutes of the Board meetings and keeps records of matters discussed and decisions resolved at all Board meetings. The Company Secretary also keeps the minutes of the Board meetings, which are open for inspection at any reasonable time on reasonable notice by any Director.

If a substantial Shareholder or Director has a conflict of interest in a matter to be discussed by the Board which the Board considers material, such matter shall be considered at a Board meeting instead of resolved by written resolutions. Independent non-executive Directors who and whose close associates have no material interest in the matter should be present at such a Board meeting.

Nomination Committee

The NC was established by the Board on 28 May 2004 with written terms of reference in accordance with code provision A.5.2 of the Hong Kong Code. As at the date of this report, the NC comprises one executive Director and three independent non-executive Directors.

Chairman:	Mr. ZHANG Jincan (executive Director)
Members:	Mr. SHI Fazhen (independent non-executive Director) Mr. KE Kasheng (independent non-executive Director) Ms. JING Pilin (independent non-executive Director)

The role and functions of the NC are set out in its written terms of reference. Its primary responsibilities include (i) conducting annual review of the structure, size and composition (including the balance of skills, knowledge, experience and diversity) of the Board, and making recommendations on any proposed changes (if any) to the Board to complement the Company's corporate strategy; (ii) identifying, selecting and recommending individuals suitably qualified to become Board members and making recommendations to the Board on selection of individuals nominated for directorships; (iii) assessing the independence of the independent non-executive Directors; (iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and chief executives; and (v) reviewing the contributions and performances of individual Director as well as evaluating the effectiveness of the Board.

For the year, the NC held one meeting and carried out a review and an assessment of the Board's performance, taking note of the findings from previous evaluations undertaken and the actions taken to address those findings. The meeting discussed the areas where certain administrative inadequacies on dissemination of board materials and schedule planning had been noted, appropriate corrective measures agreed with management and performance indicators determined to drive compliance.

In addition, the NC has, during the year ended 31 December 2018, reviewed the structure, size and composition of the Board, reviewed the time and attention devoted by individual Directors to the Company, assessed the independence of the independent non-executive Directors, and made the recommendations to the Board on the re-appointment of retiring Directors.

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") on 4 March 2019 to assist the Board in identifying suitably qualified candidates and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors as well as providing the selection criteria and procedures adopted for making recommendations by the NC. A summary of the selection criteria and procedures for recommendation and selection of candidates for directorship is disclosed below.

Selection Criteria

In assessing the suitability of a proposed candidate, the NC shall consider the following factors:

- reputation for integrity;
- accomplishment, experience and reputation of the relevant business of the Group;
- time to be devoted and attention to the affairs of the Company;
- diversity of the Board in all aspects, including but not limited to gender, age, cultural background, educational background, skills, knowledge and professional experience;
- compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and
- any other relevant factors as may be determined by the NC or the Board from time to time.

The appointment of any proposed candidate(s) to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Bye-Laws and other applicable rules and regulations.

Nomination Procedures

To nominate a candidate for the appointment and/or re-appointment of Directors, the procedures are as follows:

- The secretary of the NC shall convene a meeting, and invite nominations of candidates from Board members (if any), for consideration by the NC. The NC may also put forward candidates who are not nominated by Board members;
- Proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a director of the Company and to the public disclosure of their personal data on any documents or relevant website in connection with their nomination or otherwise pursuant to applicable rules and regulatory requirements; recommendation will then be made by the NC upon review of the relevant documents for Board's consideration and approval. The NC may request candidates to provide additional information and documents, if considered necessary;
- In the context of re-appointment of any existing member(s) of the Board, the NC shall make recommendations to the Board for its consideration and recommendation, for the candidates to stand for re-election at a general meeting;

- Please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director of the Company", which is available on the Company's website, for procedures for shareholders' nomination of any candidate for election as a Director; and

- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Board will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy.

Under bye-law 104 of the Bye-Laws, at least one-third of the Directors are required to retire from office by rotation and they are eligible for re-election at the Company's annual general meeting, and each Director must retire from office at least once every three years. In addition, a newly appointed Director must retire and offer himself for re-election at the forthcoming annual general meeting after his appointment pursuant to bye-law 107(B) of the Bye-Laws.

On 27 March 2019, the NC had recommended the re-appointment of Mr. Zhang Jincan, Mr. Jiang Wei, Ms. Zhao Na, Mr. He Junyu, Mr. Shi Fazhen, Mr. Ke Kasheng and Ms. Jing Pilin for re-election at the forthcoming annual general meeting. The Board had accepted the NC's recommendation.

Board Diversity Policy

The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointment will be made based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board and the contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board is characterised by significant diversity, in terms of nationality, professional background and skills.

Remuneration Committee

The RC was established by the Board on 28 May 2004 in accordance with Rule 3.25 of the Listing Rules, with written terms of reference in accordance with code provision B.1.2 of the Hong Kong Code. As at the date of this report, the RC comprises four members, a majority of whom are independent non-executive Directors and one executive Director.

Chairman:	Mr. SHI Fazhen (independent non-executive Director)
Members:	Mr. ZHANG Jincan (executive Director) Mr. KE Kasheng (independent non-executive Director) Ms. JING Pilin (independent non-executive Director)

The RC is responsible for recommending to the Board a framework for the remuneration of Directors and key executives. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and other benefits. The RC also oversees the administration of the Company's share option scheme. The RC's recommendations are made in consultation with the CEO and submitted for endorsement by the Board. No Director is involved in any decision making in respect of any remuneration or compensation to be offered or granted to him.

The RC held one meeting during the year ended 31 December 2018 and carried out its functions, which included the following:

(i) To recommend to the Board a framework of remuneration for the Board and executive officers; make recommendations to the Board on the remuneration packages for senior management and individual executive Directors; such remuneration packages should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, benefits in kind and retirement rights and compensation, including compensation payable for loss or termination of their office or appointment.

(ii) To review the rermuneration packages of all managerial staff who are related to any of the executive Directors or the chief executive officers.

(iii) To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

(iv) To make recommendations to the Board on the remuneration of non-executive Directors.

(v) To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

(vi) In the case of service contracts, to consider what compensation commitments the Directors' and executive officers' contracts of service, if any, would entail in the event of early loss or termination with a view to being fair and avoiding rewarding poor performance. To ensure that any payment made is consistent with contractual terms and is otherwise fair and not excessive.

(vii) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

(viii) To ensure that no Director or any of his associates is involved in deciding his own remuneration.

(ix) To recommend to the Board in consultation with senior management and the Chairman of the Board any long term incentive scheme.

(x) In respect of any share option schemes as may be implemented, to consider whether Directors should be eligible for benefits under such incentive schemes.

(xi) To recommend to the Board on the appointment of Directors whose service contracts shall be disclosed to shareholders in accordance with the Listing Rules.

(xii) To consult the Chairman and/or Chief Executive Officer about their proposals relating to the remuneration of other executive Directors and have access to professional advice if considered necessary.

(xiii) To report to the Board on the deliberations and recommendations of the RC in discharge of their functions.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises.

Remuneration of Directors

The disclosure on the remuneration of each Director for the Year is found on pages 78 to 80 of this annual report.

A breakdown, showing the level and mix of each Director's remuneration for the year is as follows:

Remuneration band	Salary %	Fees %	Bonus %	Other Benefits %	Total %
Less than US$250,000					
Mr. Lo Yat Keung (Note 1)	86	–	13	1	100
Mr. Chan Wai Shing (Note 1)	79	–	15	6	100
Mr. Christopher James O'Connor (Note 1)	77	–	23	–	100
Mr. Zhang Jincan (Note 2)	–	–	–	–	–
Mr. Jiang Wei (Note 2)	–	–	–	–	–
Ms. Zhao Na (Note 2)	–	–	–	–	–
Mr. He Junyu (Note 2)	–	–	–	–	–
Mr. Ho Yew Yuen (Note 3)	–	100	–	–	100
Mr. Teng Cheong Kwee (Note 3)	–	100	–	–	100
Mr. Seah Kok Khong, Manfred (Note 3)	–	100	–	–	100
Mr. Shi Fazhen (Note 4)	–	100	–	–	100
Mr. Ke Kasheng (Note 4)	–	100	–	–	100
Ms. Jing Pilin (Note 4)	–	100	–	–	100

Note:

1. *Resigned on 11 September 2018.*
2. *Appointed on 11 September 2018.*
3. *Resigned on 30 November 2018.*
4. *Appointed on 30 November 2018.*

The remuneration of the executive Directors and the key executives comprise a basic salary component and a variable component, which is the performance bonus, based on the performance of the Group as a whole and the executive Director's individual performance.

The independent non-executive Directors are paid with Directors' fees. The Directors' fee comprises a basic retainer fee, plus additional fees for serving as Chairman or member of a Board Committee, which take into account the responsibilities, efforts and time spent in the discharge of the Director's responsibilities.

Accountability and Audit

The Board is responsible for preparation of financial statements of the Group. In presenting the annual financial statements and interim and annual results announcements to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the performance, position and prospects of the Company and the Group as a whole.

The Management provides the Board with relevant information on a timely basis in order that it may effectively discharge its duties.

In discharging its responsibility for the financial statements of the Group, the Board ensures that the financial statements are prepared and presented in accordance with statutory requirements and applicable accounting standards. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in "Independent Auditor's Report" on pages 40 to 44 of this annual report.

Risk management and internal controls

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

The Group has in place an Enterprise Risk Management Framework that identifies the key risks that the Group faces, including financial, operational, compliance and information technology risks, as well as the controls and procedures put in place to manage and mitigate such risks. The said framework has been reviewed and discussed by the AC and the Board at least once annually. The AC and the Management will continually assess the adequacy and effectiveness of the risk management framework and processes.

In the course of their statutory audit, the Company's external auditor carried out a review of the effectiveness of the Company's material internal controls. No material compliance issues or internal control weaknesses were noted by the external auditor.

The Company has appointed and commissioned an external professional services firm as internal auditor (the "Internal Auditor") to assist the Management in reviewing the Group's risk management and internal controls systems and procedures and assessing the adequacy and effectiveness of the Group's risk management and internal controls systems. The Internal Auditor have carried out their internal audits in accordance with an audit plan approved by the AC. Findings and recommendations of the Internal Auditor together with the Management response were submitted to the AC for review. Considering the scale and nature of the Group's operations, the Board is satisfied that such an arrangement is adequate and in the best interest of the Company. The risk management and internal control systems are reviewed annually.

The Board has received assurance from the CEO and the Financial Controller that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and (ii) the Company's risk management and internal control system in place are effective.

Based on the risk management review and the risk management and the internal control system established and maintained by the Group, work performed by the Internal Auditor and the review undertaken by the external auditor, and the aforesaid assurances from the CEO and the Financial Controller, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems is adequate and effective to address the financial, operational and compliance risks, and information technology controls of the Company in its current business environment.

The Board notes that the risk management and internal control systems established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no risk management and internal control systems can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

Audit Committee

The AC was established by the Board on 28 May 2004 in accordance with Rule 3.21 of the Listing Rules, with written terms of reference in compliance with code provision C.3.3 of the Hong Kong Code. As at the date of this report, the AC comprises three members, all of whom are independent non-executive Directors.

Chairman:	Mr. SHI Fazhen (independent non-executive Director)
Members:	Mr. KE Kasheng (independent non-executive Director) Ms. JING Pilin (independent non-executive Director)

The AC held two meetings during the year ended 31 December 2018 and has dealt with the following matters, where relevant, with the executive Directors and the external auditor of the Company:

On 27 March, 2019, the AC reviewed the Group's consolidated annual results for the year ended 31 December 2018, and considered that the said annual results are prepared in accordance with applicable accounting standards, rules and regulations, and appropriate disclosures have been duly made.

a) review the Group's annual and interim results;

b) assist the Board in discharging its responsibility to:

 – safeguard the Company's assets;

 – maintain adequate accounting records; and

 – develop and maintain effective risk management and internal control systems and internal audit functions;

c) review the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditor;

d) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance;

e) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

f) review the internal audit plan, and the results of the internal audits undertaken by the Internal Auditor; and

g) review the Enterprise Risk Management Framework established, and the key risks identified together with the controls and procedures put in place to manage and mitigate the risks.

The AC has recommended to the Board that Ernst & Young be nominated for reappointment as external auditor of the Company at the forthcoming annual general meeting. During the Year, the Company has paid an aggregate amount of approximately US$359,000 to the external auditor for its audit services.

The Group has appointed suitable audit firms to meet the Group's audit obligations. In appointing the audit firms for the Group, the AC and the Board are satisfied that the appointment of different auditing firms for its subsidiaries will not compromise the standard and effectiveness of the audit of the Company.

The AC has full access to and co-operation of the management and has been given the resources required for it to discharge its functions properly. It has full discretion to invite any Director and executive officer to attend its meetings. The AC has also met with the external auditor, without the presence of the management of the Company during the Year. The external auditor have unrestricted access to the Audit Committee.

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. There were no whistle-blowing reports received during the Year and up to the date of this report.

Directors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2018 which give a true and fair view of the financial position of the Group as well as the operating results and cash flows during that year. The auditor of the Company is responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the Shareholders.

Company Secretary

Following the resignation of Ms. CHAN C.P. Grace, Ms. WONG Wai Han and Mr. SIN Sheung Nam, Gilbert as joint company secretaries of the Company, Mr. NG King Hang has been appointed as the Company Secretary with effect from 11 September 2018. He has complied with the requirement of Rule 3.29 of the Listing Rules by receiving relevant professional training for not less than 15 hours during the year ended 31 December 2018.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Hong Kong Code.

Shareholder Rights and Responsibilities

The Company engages in regular, effective and fair communication with its shareholders, and has appointed an investor relation firm to advise on and facilitate this process. The Company sees the merits of holding briefings for investors and analysts as a means to promote better understandings of the Company's business and operations. However, it does so without compromising the principles of fair and equitable disclosure. Announcements containing inside information including annual and half-year results are released through the websites of SEHK, SGX-ST and the Company. The Company will also update investors and shareholders on the Group's development by making announcements in compliance with the Listing Rules from time to time.

All shareholders of the Company will be sent a copy of the annual report, interim report, circular (if any) and notice of general meeting. The Board, the Chairman of the AC, RC and NC and the key management staff will be available at the annual general meeting to answer questions that shareholders may have concerning the Company. The external auditor will also be present to assist the Directors in addressing any relevant queries from the shareholders.

Procedures for shareholders to convene a Special General Meeting ("SGM")

Pursuant to the Bermuda Companies Act, the Board shall, on the requisition of members of the Company holding not less than one-tenth of the paid-up capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene a SGM.

If within twenty-one days of such requisition, the Board fails to proceed to convene the SGM, the requisitionists or any of them representing more than one half of the total voting rights of all of them may themselves convene a SGM, but any meeting so convened shall not be held after three months from the date of the original deposit.

Procedures for putting forward proposals at shareholders' meeting

Shareholders can submit a written requisition to move a resolution at shareholders' meeting. The number of shareholders necessary for a requisition shall represent not less than one-twentieth of the total voting rights of all shareholders having at the date of the requisition a right to vote at the shareholders' meeting, or who are no less than one hundred shareholders.

The written requisition must state the resolution, accompanied by a statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at the shareholders' meeting. It must also be signed by all of the shareholders concerned and be deposited at the Company's office in Hong Kong at Room 2008, 20/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong for the attention of the Company Secretary not less than six weeks before the shareholders' meeting in case of a requisition requiring notice of a resolution and not less than one week before the shareholders' meeting in case of any other requisition.

The shareholders concerned must deposit a sum of money reasonably sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned under applicable laws and rules.

Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong and they may at any time make a request for the Company's information to the extent that such information is publically available. Shareholders may also make enquiries to the Board by writing to the Company Secretary at the Company's office in Hong Kong at Room 2008, 20/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

Dividend Policy

The Board has adopted a dividend policy (the "Dividend Policy") on 4 March 2019 with an aim to provide the shareholders of the Company with stable and sustainable returns.

In proposing any dividend distribution and determining the dividend payout, the Board shall take into account:

- the actual and expected performance and financial conditions of the Group;
- retained earnings and distributable reserves of the Group;
- the liquidity and cash flow of the Group;
- the expected requirements for working capital and future investment of the Group;
- restrictions on payment of dividends that may be imposed on the Company by any of its financing arrangements; and
- such other factors that the Board deems appropriate.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors.

Having made specific enquiry with all Directors, the Company confirmed that all members of the Board complied with the Model Code during the year ended 31 December 2018.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2018.

Constitutional Documents

During the year ended 31 December 2018, in order to reflect the change of company name, consequential amendments were made to the Bye-Laws which took effect on 26 October 2018. Details of the amendments were disclosed in the circular of the Company dated 24 September 2018.

The most updated Bye-Laws are available on the websites of HKSE, SGX-ST and the Company.

REPORT OF THE DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2018.

1 CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting of the Company held on 18 October 2018 and approved by the Registrar of Companies in Bermuda and the Registrars of Companies in Hong Kong, the name of the Company was changed from "Techcomp (Holdings) Limited" to "Yunnan Energy International Co. Limited" and the Chinese name "雲能國際股份有限公司" has been adopted and registered as the new secondary name of the Company in place of "天美(控股)有限公司".

2 PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities of the Group are set out in Note 1 to the audited consolidated financial statements. Upon completion of the Group's reorganisation on 14 August 2018, the manufacturing of the various analytical instruments and the distribution and provision of after-sales services for analytical instruments outside the People's Republic of China have been terminated during the year. Other than this development, there were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of the likely developments in the Group's business, can be found in the section headed "Management Discussion and Analysis" as set out on pages 4 to 6 of this annual report. These discussions form part of this Directors' Report.

3 RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45 of this annual report. No interim dividend was paid during the year. In respect of the financial year ended 31 December 2018, no dividend was proposed by the Directors (2017: Nil).

4 SUMMARY FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out on page 116 of this annual report. This summary does not form part of the audited consolidated financial statements.

5 FINAL DIVIDEND

The Board did not declare a final dividend for the year ended 31 December 2018 (2017: Nil).

6 PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 14 to the audited consolidated financial statements.

7 MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, sales to the Group's five largest customers accounted for approximately 11.3% (2017: approximately 14.7%) of the total sales for the year and the single largest customer accounted for approximately 4.2% (2017: approximately 5.5%); purchases from the Group's five largest suppliers accounted for approximately 49.8% (2017: approximately 37.9%) of the total purchases for the year and the single largest supplier accounted for approximately 25.7% (2017: approximately 21.3%).

None of the Directors or any of their close associates or any shareholders (who, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

8 SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in Note 28 to the consolidated financial statements.

9 EQUITY-LINKED AGREEMENT

Save for details of the share option schemes as set out in Note 29 to the audited consolidated financial statements, no equity-linked agreement was entered into by the Company during the year ended 31 December 2018 or subsisted at the end of the financial year.

10 PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

11 PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") and the Main Board of The Singapore Exchange Securities Trading Limited (the "SGX-ST").

12 DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Company during the year are set out in Note 39 to the audited consolidated financial statements. The Company's reserves available for distribution to shareholders as at 31 December 2018 amounted to approximately US$1,574,000.

13 DIRECTORS

The Directors in office during the financial year ended 31 December 2018 and up to the date of this report are:

Executive Directors

Mr. Zhang Jincan *(Chairman and Chief Executive Officer)(appointed with effect from 11 September 2018)*
Mr. Jiang Wei *(appointed with effect from 11 September 2018)*
Ms. Zhao Na *(appointed with effect from 11 September 2018)*
Mr. He Junyu *(appointed with effect from 11 September 2018)*
Mr. Lo Yat Keung *(resigned with effect from 11 September 2018)*
Mr. Chan Wai Shing *(resigned with effect from 11 September 2018)*
Mr. Christopher James O'Connor *(resigned with effect from 11 September 2018)*

Independent Non-executive Directors

Mr. Shi Fazhen *(appointed with effect from 30 November 2018)*
Mr. Ke Kasheng *(appointed with effect from 30 November 2018)*
Ms. Jing Pilin *(appointed with effect from 30 November 2018)*
Mr. Sean Kok Khong, Manfred *(resigned with effect from 30 November 2018)*
Mr. Ho Yew Yuen *(resigned with effect from 30 November 2018)*
Mr. Teng Cheong Kwee *(resigned with effect from 30 November 2018)*

Mr. Zhang Jincan, Mr. Jiang Wei, Ms. Zhao Na, Mr. He Junyu, Mr. Shi Fazhen, Mr. Ke Kasheng and Ms. Jing Pilin will retire in accordance with bye-law 107(B) of the Company's Bye-laws at the Company's forthcoming annual general meeting and being eligible, offer themselves for re-election.

The Company has received annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

14 BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 7 to 9 of this annual report. The biographical details do not form part of the audited consolidated financial statements.

15 DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to the respective Directors' duties, responsibilities and performance and the results of the Group. The details of the directors' remuneration are set out on pages 78 to 80 of this annual report.

16 DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Mr. Zhang Jincan, Mr. Jiang Wei, Ms. Zhao Na and Mr. He Junyu entered into a service contract with the Company for a term of three years with effect from 11 September 2018, which shall automatically continue from year to year upon expiry of its term, unless terminated in accordance with the provisions of the service contract by either party giving to the other not less than six months' prior notice in writing provided that the Company shall have the option to pay salary in lieu of any required period of notice.

None of the Directors has or is proposed to have entered into any service contract with the Company or any of its subsidiaries which is not determinable by the Company or any such subsidiary within one year without payment of compensation other than statutory compensation.

17 MANAGEMENT CONTRACTS

No contracts concerning management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

18 CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at as 31 December 2018 or at any time during the year ended 31 December 2018.

19 DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the SEHK pursuant to the Model Code.

20 DIRECTORS' INTEREST IN COMPETING BUSINESSES

None of the Directors was interested in any business which competes or is likely to compete with the businesses of the Group at any time during the year ended 31 December 2018.

21 DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the continuing connected transactions and related party transactions are set out in the below paragraphs and Note 34 to the consolidated financial statements.

No transaction, arrangement or contract of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

22 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year ended 31 December 2018 nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the share options schemes mentioned in Note 29 to the audited consolidated financial statements.

Share Option Scheme

The Company adopted the 2004 Share Option Scheme on 28 May 2004 for a maximum period of 10 years from the adoption date, which was subsequently superseded by the 2011 Share Option Scheme adopted by the Company on 9 June 2011. The terms of the 2004 Share Option Scheme and the 2011 Share Option Scheme were amended on 17 July 2018, details of which were disclosed in the circular of the Company dated 29 June 2018 (the "**Circular**") and the poll results announcement of the Company dated 17 July 2018.

Movement of share options granted under the 2004 Share Option Scheme and the 2011 Share Option Scheme during the year ended 31 December 2018 are as follows:

Name of Grantee	Date of Grant	Expiry date	Exercisable period	Adjusted exercise price	Outstanding as at 1/1/2018	Number of Shares: Exercised during the year ended 31/12/2018	Number of Shares: Cancelled/ Lapsed during the year ended 31/12/2018	Outstanding as at 31/12/2018
2004 Share Option Scheme								
Chan Wai Shing[1]	11/01/2010	10/01/2020	11/01/2011-10/01/2020[2]	S$0.09[3]	1,800,000	–	1,800,000[5]	–
	06/01/2011	05/01/2021	06/01/2012-05/01/2021[2]	S$0.28[3]	700,000	–	700,000[5]	–
Employees	15/04/2008	14/04/2018	15/04/2009-14/04/2018[2]	S$0.12[3]	135,000	–	135,000[4]	–
	02/03/2009	01/03/2019	02/03/2010-01/03/2019[2]	S$0.07[3]	1,270,500	–	1,270,500[5]	–
	22/05/2009	21/05/2019	22/05/2010-21/05/2019[2]	S$0.07[3]	150,000	–	150,000[5]	–
	11/01/2010	10/01/2020	11/01/2011-10/01/2020[2]	S$0.09[3]	3,642,500	–	3,642,500[5]	–
	06/01/2011	05/01/2021	06/01/2012-05/01/2021[2]	S$0.28[3]	6,075,000	–	6,075,000[5]	–
Sub-total					**13,773,000**		**13,773,000**	**–**
2011 Share Option Scheme								
Christopher James O'Connor[1]	22/01/2015	22/01/2025	22/01/2018-22/01/2025	HK$1.16[3]	700,000	–	700,000[6]	–
Employees	22/01/2015	22/01/2025	22/01/2018-22/01/2025	HK$1.16[3]	1,000,000	–	1,000,000[6]	–
Total					**15,473,000**		**15,473,000**	

Note:

(1) Mr. Chan Wai Shing and Mr. Christopher James O'Conner are former Directors.

(2) 30% of the options vested on the first anniversary of the date of grant. The remaining 70% of the options vested on the third anniversary of the date of grant.

(3) As approved by the independent shareholders at the special general meeting held on 17 July 2018, the exercise prices of the outstanding 15,473,000 outstanding share options have been adjusted as detailed in the circular of the Company dated 29 June 2018.

(4) These options expired on 14 April 2018.

(5) On 11 September 2018, 12,377,000 options had been cancelled upon the closing of the unconditional mandatory cash general offer. On 22 November 2018, 1,261,000 options had been lapsed.

(6) On 11 September 2018, all outstanding options had been cancelled upon the closing of the unconditional mandatory cash general offer.

Save as disclosed above, no share option had been granted, exercised, expired, cancelled or lapsed and there is no outstanding share option under the 2004 Share Option Scheme and the 2011 Share Option Scheme during the year ended 31 December 2018.

A summary of the 2004 Share Option Scheme and the 2011 Share Option Scheme are set out below.

		2004 Share Option Scheme	**2011 Share Option Scheme**
1.	Purpose	To provide the eligible participants with an opportunity to have a personal stake in the Company with a view of motivating them to optimise their performance efficiency for the benefit of the Company.	To enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the Group, and to encourage eligible participants to perform their best in achieving goals of the Group.
2.	Eligible participants	Directors (including non-executive Directors and independent non-executive Directors) and employees of the Group. Controlling shareholders and their associates are not eligible to participate in the 2004 Share Option Scheme.	Directors (including non-executive Directors and independent non-executive Directors) and employees of the Group.

3.	Maximum number of shares available for issue	The total number of Shares in respect of which options may be granted under the 2004 Share Option Scheme shall not exceed 15% of the issued Shares from time to time. No further options could be granted under the 2004 Share Option Scheme.	The maximum number of Shares in respect of which options may be granted under the 2011 Share Option Scheme is 23,250,000 Shares which is equivalent to 10% and 8% of the issued Shares as at its adoption date (i.e. 9 June 2011) and the date of this annual report respectively
4.	Maximum entitlement of each participant	The maximum entitlement of any offeree, in accordance with and during the operation of the 2004 Share Option Scheme, shall not exceed 20% in aggregate of the total number of Shares which have been issued and may be issued by the Company under the 2004 Share Option Scheme.	1% of the issued share capital of the Company from time to time within any 12-month period up to the date of offer. Where the options are granted to the controlling shareholders and their associates, (i) the aggregate number of Shares available to the controlling shareholders and their associates shall not exceed 25% of the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (ii) the aggregate number of Shares available to each controlling shareholder or his associate shall not exceed 10% of the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (iii) separate approval of independent shareholders shall be obtained for each participant in respect of this participation and the number of Shares comprised in the options to be granted to him and the terms.

5.	Option period	Holders of options who are executive directors or employees of any company in the Group will have up to 10 years from the date of grant to exercise their options. Holders of options who are non-executive directors of any company within the Group will have up to 5 years from the relevant date of grant to exercise their options. Offers of options made to grantees, if not accepted within 30 days, will lapse.	The period shall not be more than 10 years from the date of grant to be notified by the Remuneration Committee to each grantee which period of time shall commence on the date of grant and expire on such earlier date as may be determined by the Company.
6.	Payment on acceptance of options offer	Upon acceptance of the option, the grantee shall pay S$1.00 to the Company by way of consideration for the grant of the option.	Similar to the 2004 Share Option Scheme.
7.	Exercise price	Exercise price may be set at a price equal to the average of the last dealt prices for the Shares determined by reference to the daily official list of other publication published by the Official List of SGX-ST for a period of five consecutive market days immediately preceding the relevant date of grant or at a discount to the abovementioned price (subject to a maximum discount of 20%).	Exercise price shall be the higher of: (i) the official closing price of the Shares as stated on the daily quotations sheets issued by the SEHK or the SGX-ST (whichever is higher) on the offer date of such option, which must be a business day; and (ii) the average of the official closing prices of the Shares stated on the daily quotation sheets issued by the SEHK or the SGX-ST for the 5 consecutive business days immediately preceding the offer date of such options (whichever is higher).
8.	Scheme period	It shall be in force up to a maximum period of 10 years from its adoption date (i.e. up to 28 May 2014), and was subsequently superseded by the 2011 Share Option Scheme.	It shall be in force up to a maximum period of 10 years from its adoption date (i.e. up to 9 June 2021).

Share Award Scheme

Detail of the share award scheme are set out in note 30 to the consolidated financial statements.

23 SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, so far as known to the Directors of the Company, the following persons (other than the Directors whose interests are disclosed in the section headed "Directors' Interests in Shares and Underlying Shares and Debentures" above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in Shares

		Direct Interest		Deemed Interest	
Name	**Capacity and nature of interests**	**Number of Shares held**	**Approximate percentage of the issued share capital of the Company**	**Number of Shares held**	**Approximate percentage of the issued share capital of the Company**
Baodi International Investment Company Limited *(Note 1)*	Beneficial owner	201,196,995	73.05%	–	–
Yunnan Energy Investment (HK) Co. Limited *(Note 1)*	Interest of controlled corporation	–	–	201,196,995	73.05%
Yunnan Provincial Energy Investment Group Co., Limited *(Note 1)*	Interest of controlled corporation	–	–	201,196,995	73.05%

Notes:

1. 201,196,995 shares are owned by Baodi International Investment Company Limited which is wholly owned by Yunnan Energy Investment (HK) Co. Limited, which in turn is wholly owned by Yunnan Provincial Energy Investment Group Co., Limited. Accordingly, Yunnan Energy Investment (HK) Co. Limited and Yunnan Provincial Energy Investment Group Co., Limited are deemed to be interested in all the Shares held by Baodi International Investment Company Limited.

Save as disclosed above, as at 31 December 2018, the Directors were not aware of any other persons (other than the Directors) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

24 SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

25 BOARD COMMITTEES

The Company established each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 28 May 2004. For further details, please refer to the Corporate Governance Report of this annual report.

26 DONATIONS

No charitable and other donations were made by the Group during the year ended 31 December 2018 (2017: Nil).

27 ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operating in compliance with applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group's existing business activities on the environment.

The Group has actively promoted material-saving and environmentally friendly working environment so as to protect the environment and improve air quality within the community. The Group is reviewing their action plan for further reduction of energy consumption in our manufacturing facilities. Several measures have been implemented in order to mitigate environmental pollution, such as reducing energy consumption and enhancing machines and equipment. The Group also adheres to the principle of recycling and reducing. Double sided printing and copying, using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance are being implemented in the offices.

28 COMPLIANCE WITH LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with such requirements could lead to the termination of operating licences. The Group has been allocating system and staff resources to ensure ongoing compliance with the applicable rules and regulations and to maintain cordial working relationships with regulators effectively through effective communications.

Throughout the financial year ended 31 December 2018, to the best knowledge, information and belief, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Company.

29 RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For our relationship with employees, please refer to the paragraph headed "Employees and Emolument Policy" as set out in the Management Discussion and Analysis on page 6 of this annual report.

Relationship is the fundamentals of business. The Group fully understands this principle and thus maintain close relationship with the customers to fulfil their immediate and long-term need. The Group also strives to maintain fair and co-operating relationship with the suppliers.

30 PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended 31 December 2018. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

31 DEFINED BENEFIT PLAN

Details of the defined benefit plan are set out in Note 26 to the consolidated financial statements.

32 CONTINUING CONNECTED TRANSACTIONS

Supply Framework Agreement

The Company and Techcomp Instrument Limited have entered into the supply framework Agreement (the "Supply Framework Agreement") on 18 April 2018. Under the Supply Framework Agreement, Techcomp Instrument Limited and its subsidiaries (the "Techcomp Instrument Group") shall continue to sell and the Group will continue to purchase various analytical instruments, life science equipment and laboratory instruments under the Techcomp Instrument Group's own brands. The maximum aggregate values of the transactions under the Supply Framework Agreement for each of the financial years ended/ending 31 December 2018, 2019 and 2020 shall not exceed HK$180,000,000. The transaction amount incurred under the Supply Framework Agreement was approximately HK$58,126,000 during the year ended 31 December 2018.

Mr. Lo's Service Agreement

Techcomp Scientific Limited, a subsidiary of the Company, and Mr. Lo Yat Keung (the "Mr. Lo") have entered into the service agreement ("Mr. Lo's Service Agreement") on 18 April 2018. Under Mr. Lo's Service Agreement, Mr. Lo shall be appointed as a consultant and be responsible for the overall management and operations of the subsidiaries of the Company, including but not limited to the selection and appointment of senior management to assist the management and operation of the subsidiaries of the Company, and charting and reviewing of the corporate directions and strategies and such other responsibilities in relation to the subsidiaries of the Company. Mr. Lo shall be entitled to an annual salary of HK$2,400,000. The transaction amount incurred under Mr. Lo's Service Agreement was HK$800,000 during the year ended 31 December 2018.

Mr. Chan's Service Agreement

Techcomp Scientific Limited, a subsidiary of the Company, and Mr. Chan Wai Shing (the "Mr. Chan") have entered into the service agreement ("Mr. Chan's Service Agreement") on 18 April 2018. Under Mr. Chan's Service Agreement, Mr. Chan shall be appointed as consultant and be responsible for formulating and monitoring the subsidiaries of the Company's overall strategic plan, the Company's subsidiaries' sales and overall operations in the PRC and Macau. Mr. Chan shall be entitled to an annual salary of HK$960,000. The transaction amount incurred under the Mr. Chan's Service Agreement was HK$320,000 during the year ended 31 December 2018.

For details, please refer to the Company's circular dated 29 June 2018 and the poll results announcement dated 17 July 2018.

ANNUAL REVIEW

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Ernst & Young, the Company's auditor, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the HKSE.

33 RELATED PARTY TRANSACTIONS

Save as disclosed above, none of the related party transactions as set out in Note 34 to the consolidated financial statements in the annual report falls under the definition of "connected transactions" or "continuing connected transactions" as defined in Chapter 14A of the Listing Rules (except for the loan from the immediate holding company which is fully exempted from the connected transaction requirement under Rules 14A.90 of the Listing Rules). The connected and continuing connected transactions of the Group are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

34 AUDITOR

During the year under review, the Board appointed Ernst & Young as the Company's auditor to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu and to hold office until the conclusion of the forthcoming annual general meeting of the Company.

An ordinary resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Ernst & Young as the auditor of the Company. The auditor, Ernst & Young, has expressed their willingness to accept re-appointment.

ON BEHALF OF THE BOARD

ZHANG Jincan
Chairman
27 March 2019

INDEPENDENT AUDITOR'S REPORT

Year Ended 31 December 2018

EY 安永

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To the shareholders of Yunnan Energy International Co. Limited
(formerly known as Techcomp (Holdings) Limited)
(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Yunnan Energy International Co. Limited (the "Company") and its subsidiaries (the "Group") set out on pages 45 to 115, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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Key audit matters – continued

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade and bills receivables	
At 31 December 2018, the Group had trade and bills receivables of approximately US$27.3 million which, representing 39% of the Group's total assets as at that date, arose from the sale of analytical and laboratory instruments and life science equipment and the provision of related repair and maintenance services. Provisions are made for expected credit losses using a provision matrix. Significant management's judgements and estimates were involved in determining the recoverability of these trade and bills receivables for impairment assessment. Related disclosures of the accounting judgements and estimates and impairment of trade and bills receivables are included in notes 3 and 19 to the consolidated financial statements.	In relation to the impairment assessment of trade and bills receivables, we obtained an understanding of the credit loss provisioning methodology adopted by the Group and assessed the allowance for the expected credit losses estimated by management with reference to the history of actual write-offs and ageing analysis of the trade and bills receivables. We also, on a sample basis, tested the ageing analysis of the trade and bills receivables prepared by management; circulated and obtained direct debtors' confirmations; and checked the settlement status subsequent to the reporting period. We considered the adequacy of the Group's disclosures of the impairment of trade and bills receivables in the consolidated financial statements.
Impairment assessment of inventories	
At 31 December 2018, the Group had inventories of approximately US$14.0 million, which represented 20% of the Group's total assets as at that date. Provisions for inventories may be necessary when the inventories have become obsolete and slow-moving which indicate that their net realisable values may be lower than their costs. Significant management's judgements and estimates were involved in determining the amount of provisions for inventories. Related disclosures of accounting judgements and estimates, provision for inventories and balances of inventories are included in notes 3, 8 and 18 to the consolidated financial statements.	In relation to impairment assessment of inventories, we obtained an understanding of the inventory provisioning policy adopted by the Group and assessed the allowance for the inventories estimated by management with reference to the ageing analysis of the inventories, gross margins of the products sold by the Group and the selling prices of the inventories subsequent to the reporting period. We also, on a sample basis, tested the ageing analysis of the inventories prepared by management; and checked the movements and selling prices of the Group's products subsequent to the reporting period. We considered the adequacy of the Group's disclosures of the impairment of inventories in the consolidated financial statements.

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Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Auditor's responsibilities for the audit of the consolidated financial statements – continued

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is CHENG Man.

Ernst & Young
Certified Public Accountants
Hong Kong
27 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND **OTHER COMPREHENSIVE INCOME**

Year Ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000 (Restated)
CONTINUING OPERATION			
REVENUE	5	81,335	145,500
Cost of sales		(60,747)	(111,338)
Gross profit		20,588	34,162
Other income and gains, net	6	58	518
Selling and distribution expenses		(5,891)	(10,539)
Administrative expenses		(12,657)	(9,690)
Other expenses		(2,478)	(488)
Finance costs	7	(796)	(552)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATION	8	(1,176)	13,411
Income tax	11	–	(470)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATION		(1,176)	12,941
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	12(b)	(8,340)	(11,955)
PROFIT/(LOSS) FOR THE YEAR		(9,516)	986
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods – Exchange differences:			
On translation of foreign operations		1,964	1,550
Reclassification adjustment for gains included in profit or loss upon disposal of subsidiaries through a distribution in specie		(7,246)	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		(5,282)	1,550
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods – Actuarial loss of a defined benefit plan		–	(723)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		(5,282)	827
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(14,798)	1,813
Profit/(loss) for the year attributable to:			
Shareholders of the Company		(9,386)	1,335
Non-controlling interests		(130)	(349)
		(9,516)	986
Total comprehensive income/(loss) for the year attributable to:			
Shareholders of the Company		(14,665)	2,155
Non-controlling interests		(133)	(342)
		(14,798)	1,813
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	13		
Basic			
– For profit/(loss) for the year		(US3.41 cents)	US0.48 cent
– For profit/(loss) from continuing operation		(US0.43 cent)	US4.69 cents
Diluted			
– For profit/(loss) for the year		(US3.41 cents)	US0.48 cent
– For profit/(loss) from continuing operation		(US0.43 cent)	US4.67 cents

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

At 31 December 2018

	Notes	2018 US$'000	2017 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	383	10,123
Goodwill	15	–	1,347
Other intangible assets	16	396	4,362
Equity investment at fair value through other comprehensive income	17	411	–
Available-for-sale investments	17	–	450
Deposits paid for acquisition of property, plant and equipment		–	910
Other non-current asset		–	494
Deferred tax assets	27	–	16
Total non-current assets		1,190	17,702
CURRENT ASSETS			
Inventories	18	14,042	44,649
Trade and bills receivables	19	27,332	81,586
Prepayments, deposits and other receivables	20	3,120	7,112
Income tax recoverable		–	366
Cash and bank balances	21	24,046	14,438
Total current assets		68,540	148,151
CURRENT LIABILITIES			
Trade and bills payables	22	5,769	19,981
Other payables and accruals	23	6,124	19,636
Income tax payables		313	2,774
Bank borrowings	24	3,401	36,859
Loan from a shareholder	25	15,897	–
Total current liabilities		31,504	79,250
NET CURRENT ASSETS		37,036	68,901
TOTAL ASSETS LESS CURRENT LIABILITIES		38,226	86,603
NON-CURRENT LIABILITIES			
Bank borrowings	24	–	3,150
Defined benefit obligations	26	–	1,192
Deferred tax liabilities	27	–	146
Total non-current liabilities		–	4,488
Net assets		38,226	82,115
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	28	13,772	13,772
Reserves	31(a)	24,454	69,578
		38,226	83,350
Non-controlling interests		–	(1,235)
Total equity		38,226	82,115

ZHANG JINCAN
DIRECTOR

JIANG WEI
DIRECTOR

	Notes	Issued capital	Share premium account	Contributed surplus	Share option reserve	Capital and other reserves	Exchange fluctuation reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity
		Attributable to shareholders of the Company										
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
					(note 31(b))	(note 31(c))		(note 31(d))				
Year ended 31 December 2018												
At 1 January 2018:												
As previously reported		13,772	18,385	394	1,655	(3,599)	1,507	535	50,701	83,350	(1,235)	82,115
Effect of adoption of IFRS 9	2.2(a)	–	–	–	–	–	–	–	(887)	(887)	–	(887)
As restated		13,772	18,385	394	1,655	(3,599)	1,507	535	49,814	82,463	(1,235)	81,228
Loss for the year		–	–	–	–	–	–	–	(9,386)	(9,386)	(130)	(9,516)
Other comprehensive income/(loss) for the year:												
Exchange differences:												
On translation of foreign operations		–	–	–	–	–	1,967	–	–	1,967	(3)	1,964
Reclassification adjustment for gains included in profit or loss on disposal of subsidiaries by way of a distribution in specie		–	–	–	–	–	(7,246)	–	–	(7,246)	–	(7,246)
Total comprehensive loss for the year		–	–	–	–	–	(5,279)	–	(9,386)	(14,665)	(133)	(14,798)
Recognition of equity-settled share option expense	29	–	–	–	58	–	–	–	–	58	–	58
Transfer of share option reserve upon lapse and cancellation of share options		–	–	–	(1,713)	–	–	–	1,713	–	–	–
Distribution in specie declared	12	–	–	–	–	–	–	–	(29,662)	(29,662)	–	(29,662)
Disposal of subsidiaries by way of a distribution in specie		–	–	–	–	3,581	–	(535)	(3,046)	–	1,368	1,368
Transfer to reserves		–	–	–	–	32	3,783	–	(3,783)	32	–	32
At 31 December 2018		13,772	18,385*	394*	–*	14*	11*	–*	5,650*	38,226	–	38,226
Year ended 31 December 2017												
At 1 January 2017		13,772	18,385	394	1,596	(3,599)	(36)	535	50,089	81,136	(893)	80,243
Profit for the year		–	–	–	–	–	–	–	1,335	1,335	(349)	986
Other comprehensive income/(loss) for the year:												
Exchange differences related to foreign operations		–	–	–	–	–	1,543	–	–	1,543	7	1,550
Actuarial loss of a defined benefit plan		–	–	–	–	–	–	–	(723)	(723)	–	(723)
Total comprehensive income/(loss) for the year		–	–	–	–	–	1,543	–	612	2,155	(342)	1,813
Recognition of equity-settled share option expense	29	–	–	–	59	–	–	–	–	59	–	59
At 31 December 2017		13,772	18,385*	394*	1,655*	(3,599)*	1,507*	535*	50,701*	83,350	(1,235)	82,115

* These reserve accounts comprise the consolidated reserves of US$24,454,000 (2017: US$69,578,000) in the consolidated statement of financial position as at 31 December 2018.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

Year ended 31 December 2018

	Notes	2018	2017
		US$'000	US$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operation		(1,176)	13,411
From discontinued operations	12(b)	(8,321)	(11,927)
Adjustments for:			
Finance costs		1,212	1,540
Interest income		(62)	(20)
Loss/(gain) on disposal of items of property, plant and equipment		7	(413)
Loss on disposal of subsidiaries by way of a distribution in specie	12(b)	1,581	–
Depreciation	14	774	1,185
Amortisation of other intangible assets	16	984	1,578
Impairment of goodwill	15	–	847
Write-off of other intangible assets	16	–	57
Provision for inventories		700	116
Equity-settled share option expense	29	58	59
		(4,243)	6,433
Increase in inventories		(7,182)	(2,828)
Decrease/(increase) in trade and bills receivables		40,256	(3,619)
Increase in prepayments, deposits and other receivables		(1,516)	(1,434)
Decrease in trade and bills payables		(1,039)	(249)
Decrease in other payables and accruals		(6,564)	(243)
Cash generated from/(used in) operations		19,712	(1,940)
PRC corporate income tax paid		(36)	(281)
Net cash flows from/(used in) operating activities		19,676	(2,221)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		62	20
Purchases of items of property, plant and equipment		(5,114)	(1,201)
Deposits paid for acquisition of property, plant and equipment		–	(106)
Payment of product development costs		(881)	(1,394)
Proceeds from disposal of items of property, plant and equipment		139	492
Net cash flows used in investing activities		(5,794)	(2,189)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		49,300	75,758
Repayment of bank loans		(58,099)	(84,400)
Receipts from discounting of bills receivable with recourse		–	9,767
New loan from a shareholder		15,897	–
Disposal of subsidiaries by way of a dividend in specie	12(a)	(6,568)	–
Interest paid		(1,212)	(1,540)
Net cash flows used in financing activities		(682)	(415)

	2018	2017
	US$'000	US$'000 (Restated)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**13,200**	(4,825)
Cash and cash equivalents at beginning of year	**11,655**	15,849
Effect of foreign exchange rate changes, net	**(809)**	631
CASH AND CASH EQUIVALENTS AT END OF YEAR	**24,046**	11,655
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	**8,063**	14,438
Time deposits	**15,983**	–
Cash and bank balances as stated in the consolidated statement of financial position	**24,046**	14,438
Bank overdrafts included in bank borrowings (note 24)	**–**	(2,783)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**24,046**	11,655

1. CORPORATE AND GROUP INFORMATION

Yunnan Energy International Co. Limited (the "Company", formerly known as Techcomp (Holdings) Limited) is incorporated in Bermuda as an exempted company with limited liability. The Company's shares have a primary listing on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") and a secondary listing on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST").

Pursuant to a special resolution passed at a special general meeting of the Company held on 18 October 2018 and approved by the Registrars of Companies in Bermuda and Hong Kong, the English name of the Company has been changed from "Techcomp (Holdings) Limited" to "Yunnan Energy International Co. Limited" and a new Chinese name "雲能國際股份有限公司" has been adopted as the secondary name in Chinese of the Company to replace its former Chinese name "天美（控股）有限公司".

During the year, the Company and its subsidiaries (collectively, the "Group") were involved in the following principal activities:

- Design, manufacture and sale of analytical and laboratory instruments and life science equipment (the "Manufacturing Business", discontinued during the year – note 12)
- Distribution of branded analytical and laboratory instruments and life science equipment to areas outside the People's Republic of China (the "PRC") and the provision of related repair and maintenance services (the "Overseas Distribution Business", discontinued during the year – note 12)
- Distribution of branded analytical and laboratory instruments and life science equipment to the PRC and the provision of related repair and maintenance services (the "PRC Distribution Business")

Following the changes in major shareholders of the Company during the year, as at 31 December 2018, the immediate holding company of the Company is Baodi International Investment Company Ltd. ("Baodi"), which is incorporated in the British Virgin Islands with limited liability, and in the opinion of the directors, the ultimate holding company of the Company is Yunnan Provincial Energy Investment Group Co., Ltd, which is a state-owned enterprise established in the PRC and is wholly owned by The State-owned Assets Supervision and Administration Commission of the Yunnan Provincial People's Government of the PRC.

Information about principal subsidiaries

Particulars of the Company's principal subsidiaries, which are indirectly held by the Company, as at 31 December 2018 are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company	Principal activities
Techcomp (Macao Commercial Offshore) Limited *	Macau	MOP10,000,000	100	Trading of analytical and laboratory instruments and life science equipment
Techcomp (China) Limited *#	PRC/Mainland China	US$10,000,000	100	Trading of analytical and laboratory instruments and life science equipment and provision of related repair and maintenance services

1. CORPORATE AND GROUP INFORMATION - continued

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Techcomp (China) Limited is registered as a wholly-foreign-owned enterprise under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, formed a substantial portion of the net assets of the Group as at 31 December 2018. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board (the "IASB"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in the United States dollar ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION - continued

Basis of consolidation - continued

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements:

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Other than as explained below regarding the impact of IFRS 9 and IFRS 15, the adoption of the above new and revised standards has had no significant financial effect on these financial statements.

(a) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

(a) - continued

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the consolidated statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	IAS 39 measurement				IFRS 9 measurement	
	Category	Amount	Reclassification	ECL	Amount	Category
		US$'000	US$'000	US$'000	US$'000	
Financial assets						
Equity investments at fair value through other comprehensive income	N/A	–	450	–	450	FVOCI [1]
From: Available-for-sale investments *(note)*			450	–		
Available-for-sale investments	AFS [2]	450	(450)	–	N/A	
To: Equity investments at fair value through other comprehensive income *(note)*			(450)	–		
Trade and bills receivables	L&R [3]	81,586	–	(887)	80,699	AC [4]
Financial assets included in prepayments, deposits and other receivables	L&R	4,997	–	–	4,997	AC
Cash and bank balances	L&R	14,438	–	–	14,438	AC
			–	(887)		
Financial liabilities						
Trade and bills payables	AC	19,981	–	–	19,981	AC
Financial liabilities included in other payables and accruals	AC	15,567	–	–	15,567	AC
Bank borrowings	AC	40,009	–	–	40,009	AC
			–	–		

1 FVOCI: Financial assets at fair value through other comprehensive income
2 AFS: Available-for-sale investments
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost

Note: The Group has elected the option to irrevocably designate its previous available-for-sale investments as equity investments at fair value through other comprehensive income.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

(a) - continued

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9:

	Impairment allowances under IAS 39 at 31 December 2017	Remeasurement	ECL allowances under IFRS 9 at 1 January 2018
	US$'000	US$'000	US$'000
Trade and bills receivables	4,112	887	4,999

Further details are disclosed in note 19(c) to the financial statements.

Impact on retained profits

The impact of transition to IFRS 9 on retained profits is as follows:

	Retained profits
	US$'000
Balance as at 31 December 2017 under IAS 39	50,701
Recognition of expected credit losses for trade and bills receivables under IFRS 9	(887)
Balance as at 1 January 2018 under IFRS 9	49,814

(b) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and they apply, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in note 5 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

(b) - continued

The financial impact of IFRS 15 on these financial statements is summarised as follows:

Revenue recognition

(i) Sale of analytical and laboratory instruments and life science equipment with installation services

The Group is engaged in the sale of analytical and laboratory instruments and life science equipment and, incidental to these sales, provides installation services for the sale of goods to the customers. Before the adoption of IFRS 15, the installation services were bundled together with the sale of goods and revenue from the sale of goods was recognised when the significant risks and rewards of ownership have been transferred to the customer, generally on delivery of the goods to the customer.

Under IFRS 15, the Group has assessed that the installation services, which are bundled together with the sale of analytical and laboratory instruments and life science equipment to a customer, are not identified as separate performance obligations as, in the opinion of the directors, they are not significant in the context of the contract as a whole. Based on this, upon adoption of IFRS 15, the Group continues to recognise revenue when the goods have been delivered to the customers, which is the point in time when control of the goods is transferred to the customer. Accordingly, the adoption of IFRS 15 does not have an impact on the revenue recognition in respect of the sale of analytical and laboratory instruments and life science equipment.

(ii) Provision of repair and maintenance services

Incidental to the sale of analytical and laboratory instruments and life science equipment, the Group also provides related repair and maintenance services to customers. Before the adoption of IFRS 15, revenue from the provision of these services was recognised when the services have been rendered. Under IFRS 15, revenue from the provision of repair and maintenance services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of labour time spent on the services. Given that a repair and maintenance service order is generally completed within a short period of time, the revenue from the provision of the repair and maintenance services is recognised when the services have been rendered. Accordingly, the adoption of IFRS 15 does not have an impact on the revenue recognition in respect of the provision of repair and maintenance services.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

(b) - continued

Classification of consideration received from customers in advance

Before the adoption of IFRS 15, the Group recognised consideration received from customers in advance for the sale of analytical and laboratory instruments and life science equipment as customers' deposits which are included in other payables and accruals. Under IFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of IFRS 15, the Group reclassified US$7,551,000 from customers' deposits to contract liabilities as at 1 January 2018 in relation to the consideration received from customers in advance as at 1 January 2018.

Under IFRS 15, the consideration received from customers in advance of US$4,999,000 as at 31 December 2018 for the sale of analytical and laboratory instruments and life science equipment was classified as contract liabilities instead of customers' deposits.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to IFRS 3	*Definition of a Business*[2]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

Except for IFRS 16, amendments to IAS 1 and IAS 8 and IFRIC 23, the directors of the Company expect that the other new and revised standards above are not applicable to the Group in the year of initial application. The nature of the impending changes in accounting policy on the adoption of IFRS 16, amendments to IAS 1 and IAS 8 and IFRIC 23 is described below:

(a) IFRS 16 replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40 *Investment Property*, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019.

The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

The Group is currently assessing the impact of IFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available. As disclosed in note 33 to the financial statements, as at 31 December 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of US$1,722,000. Upon adoption of IFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS - continued

(b) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

(c) IFRIC 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes* (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Goodwill

Goodwill arising on a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a holding company of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Fair value measurement

The Group measures its equity investments at fair value through other comprehensive income at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Fair value measurement - continued

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance leases	Over the lease terms
Buildings	2% to 4.5%
Machinery and equipment	9% to 20%
Furniture and fixtures	18% to 20%
Motor vehicles	18% to 20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the estimated useful lives of 5 years.

Technical know-how

Purchased technical know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 3.75 to 5 years.

Business process management software

Purchased business process management software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and deferred tax assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases, net of any incentives received from the lessor, are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost or at fair value through other comprehensive income, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset (debt instrument) to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018) - continued

Subsequent measurement - continued

(b) Financial assets at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss.

(b) Available-for-sale investments stated at cost

Available-for-sale investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. The fair value of the Group's unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for those investments or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value. Such investments are stated at cost less any impairment losses.

Dividends earned whilst holding the available-for-sale investments are reported as dividend income and are recognised in profit or loss as other income, when the shareholders' right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018) - continued

General approach - continued

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

Loans and receivables - continued

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Available-for-sale investments carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are all classified, at initial recognition, as financial liabilities at amortised cost. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs. The Group's financial liabilities include trade and bills payables, other payables and accruals, a loan from a shareholder and bank borrowings.

Subsequent measurement

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Income tax - continued

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Sale of analytical and laboratory instruments and life science equipment

Revenue from the sale of analytical and laboratory instruments and life science equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the asset.

Incidental to the sale of analytical and laboratory instruments and life science equipment, the Group also provides installation services in accordance with the terms of the contracts with customers. These services, which are not separately provided by the Group and are bundled together with the sale of analytical and laboratory instruments and life science equipment to a customer, are not identified as separate performance obligations as, in the opinion of the directors, they are not significant in the context of the contract as a whole.

(b) Repair and maintenance services

Revenue from repair and maintenance services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The input method recognises revenue on the basis of labour time spent on the services. Given that a repair and maintenance service order is generally completed within a short period of time, the revenue from the provision of the repair and maintenance services is recognised when the services have been rendered.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition (applicable before 1 January 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the services have been rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Share-based payments

Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based payments - continued

Share option schemes - continued

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Share award scheme

The Group operates a share award scheme for the purpose of providing incentives for employees to achieve performance goals and aligning the interests of employees directly with the shareholders of the Company through ownership of shares of the Company.

The amount to be expensed as share-based compensation expenses is determined by reference to the fair value of the awarded shares granted, taking into account all non-vesting conditions associated with the grants. The total expense is recognised over the relevant vesting periods (or on the grant date if the shares vest immediately), with a corresponding credit to equity. For those awarded shares which are amortised over the vesting periods, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is recognised in profit or loss in the current year, with a corresponding adjustment to the equity.

Other employee benefits

Defined contribution schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Mandatory Provident Fund Schemes Ordinance and other defined contribution schemes in other jurisdictions in which the Group has operations for eligible employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of these defined contribution schemes. The assets of these schemes are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed into these schemes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Other employee benefits - continued

Defined benefit plan

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund. The benefits are unfunded. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from the defined benefit pension plan, comprising actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligations in profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in the period in which they are incurred.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss and other comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Dividends - continued

In respect of a non-cash dividend (e.g., a distribution in specie), the liability of the non-cash dividend is measured at the fair value of the assets to be distributed. When the Group settles the non-cash dividend payable, it recognises the difference, if any, between the carrying amount of assets distributed and the carrying amount of the non-cash dividend payable in profit or loss.

Foreign currencies

These financial statements are presented in the United States dollar, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the United States dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into the United States dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into United States dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into United States dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. The major judgements, estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables, by applying ECL rates to different ageing groups of trade receivables. The ECL rate of each ageing group is determined by the Group based on the average of historical incurred credit loss experience on each ageing group in the past years and, where material, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future and significant management estimates are required in the estimates. When the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amounts of trade receivables and the amount of ECLs provided or reversed in the periods in which such estimates have been changed. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

Impairment of inventories

Impairment of inventories is made based on the assessment of net realisable value, which is the amount of the inventories that are expected to realise. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the ageing of inventories, indication of obsolescence and fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. Significant management estimates are required in the estimates. When the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying values of inventories and the amount of impairment/reversal in the periods in which such estimates have been changed.

The net carrying amount of inventories as at 31 December 2018 was US$14.0 million, details of which are set out in note 18 to the financial statements.

Current tax and deferred tax

The Group's continuing operation is subject to income taxes in Mainland China. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. However, judgement is required in determining the Group's provision for income taxes as there are many transactions and calculations, of which the ultimate tax determination is uncertain, during the ordinary course of business. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made. The carrying amount of current tax payables carried as liabilities in the consolidated statements of financial position as at 31 December 2018 was US$313,000.

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group did not recognise any deferred tax assets with respect to tax losses as at 31 December 2018.

4. OPERATING SEGMENT INFORMATION

Operating segment information

No operating segment information of the continuing operation is presented as more than 90% of the Group's revenue and reported results from the continuing operation during each of the years ended 31 December 2018 and 2017, and more than 90% of the Group's total assets attributable to the continuing operation as at the end of each of these years were derived from one single operating segment, i.e., the PRC Distribution Business.

Geographical information

No geographical information of the continuing operation is presented as more than 90% of the revenue from the continuing operation during each of the years ended 31 December 2018 and 2017 was derived from the PRC (including Hong Kong and Macau – country of domicile) and more than 90% of the Group's non-current assets attributable to the continuing operation as at the end of each of these years were located in the PRC (including Hong Kong and Macau).

Information about major customers

During each of the years ended 31 December 2018 and 2017, there was no single external customer which contributed over 10% of the Group's total revenue from the continuing operation for each of these years.

5. REVENUE

An analysis of the Group's revenue from the continuing operation is as follows:

	2018	2017
	US$'000	US$'000 (Restated)
Sales of goods	74,842	140,425
Repair and maintenance service income	6,493	5,075
	81,335	145,500

Notes:

(a) More than 95% of the Group's revenue from the continuing operation for the year ended 31 December 2018, which is the revenue from contracts with customers, was derived from sales and services provided to customers in the PRC.

Sales of goods and repair and maintenance service income for the year ended 31 December 2018 were recognised at the point in time and over time, respectively.

(b) The revenue from the continuing operation recognised during the year ended 31 December 2018 that was included in the contract liability balance as at 1 January 2018 amounted to US$7,551,000. No revenue recognised during the year ended 31 December 2018 related to performance obligations satisfied or partially satisfied in previous years.

(c) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation for the sale of goods is satisfied upon delivery of the goods and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

Provision of repair and maintenance services

The performance obligation is satisfied over time, using the input method on the basis of labour time spent on the services, and payment is generally due upon completion of the services.

The Group did not have any transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied as at 31 December 2018.

6. OTHER INCOME AND GAINS, NET

An analysis of the Group's other income and gains, net from the continuing operation is as follows:

	2018	2017
	US$'000	US$'000 (Restated)
Foreign exchange gain, net	–	10
Gain on disposal of items of property, plant and equipment, net	–	362
Bank interest income	58	17
Others	–	129
	58	518

7. FINANCE COSTS

Finance costs from the continuing operation during the years ended 31 December 2018 and 2017 were interest on bank loans and bank overdrafts.

8. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATION

The Group's profit/(loss) before tax from the continuing operation is arrived at after charging/(crediting):

	2018	2017
	US$'000	US$'000 (Restated)
Cost of inventories sold	60,747	111,338
Depreciation	200	310
Amortisation of other intangible assets*	99	–
Minimum lease payments under operating leases	1,065	1,026
Auditor's remuneration	359	522
Employee benefit expense (excluding directors' remuneration (note 9)):		
Salaries, allowances and benefits in kind	6,738	7,871
Equity-settled share option expense	58	35
Defined contribution scheme contributions	1,984	1,662
	8,780	9,568
Foreign exchange loss/(gain), net	346	(10)
Provision for inventories**	700	–
Impairment of trade receivables, net**	1,253	488
Loss/(gain) on disposal of items of property, plant and equipment, net	3**	(362)

* The amortisation of other intangible assets for the year is included in "Administrative expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

** These items are included in "Other expenses" on the face of the consolidated statement of profit or loss and other comprehensive income.

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on SEHK (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018	2017
	US$'000	US$'000
Fees	154	140
Other emoluments:		
Salaries, allowances and benefits in kind	607	648
Performance related bonuses+	132	60
Equity-settled share option expense	–	24
Defined contribution scheme contributions	12	16
	751	748
	905	888

+ Certain executive directors of the Company are entitled to bonus payments which are determined with reference to operating results, individual performance and comparable market statistics during the year.

9. DIRECTORS' REMUNERATION- continued

An analysis of the directors' remuneration, on a named basis, is as follows:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expense	Defined contribution scheme contributions	Total remuneration
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2018						
Executive directors:						
Mr. Zhang Jincan^	–	–	–	–	–	–
Mr. Jiang Wei^	–	–	–	–	–	–
Ms. Zhao Na^	–	–	–	–	–	–
Mr. He Junyu^	–	–	–	–	–	–
Mr. Lo Yat Keung#	–	244	38	–	2	284
Mr. Chan Wai Shing#	–	132	25	–	10	167
Mr. Christopher James O'Connor#	–	231	69	–	–	300
	–	607	132	–	12	751
Independent non-executive directors:						
Mr. Shi Fazhen*	3	–	–	–	–	3
Mr. Ke Kasheng*	2	–	–	–	–	2
Mr. Jing Pilin*	3	–	–	–	–	3
Mr. Ho Yew Yuen@	52	–	–	–	–	52
Mr. Seah Kok Khong, Manfred@	47	–	–	–	–	47
Mr. Teng Cheong Kwee@	47	–	–	–	–	47
	154	–	–	–	–	154
	154	607	132	–	12	905

9. DIRECTORS' REMUNERATION - continued

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Equity-settled share option expense	Defined contribution scheme contributions	Total remuneration
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Year ended 31 December 2017						
Executive directors:						
Mr. Lo Yat Keung	–	196	36	–	2	234
Mr. Chan Wai Shing	–	127	24	–	14	165
Mr. Christopher James O'Connor	–	325	–	24	–	349
	–	648	60	24	16	748
Independent non-executive directors:						
Mr. Ho Yew Yuen	50	–	–	–	–	50
Mr. Seah Kok Khong, Manfred	45	–	–	–	–	45
Mr. Teng Cheong Kwee	45	–	–	–	–	45
	140	–	–	–	–	140
	140	648	60	24	16	888

^ Appointed as an executive director on 11 September 2018.
# Resigned as an executive director on 11 September 2018.
* Appointed as an independent non-executive director on 30 November 2018.
@ Resigned as an independent non-executive director on 30 November 2018.

Notes:

(a) A director was granted share options in prior years, in respect of his service to the Group, under a share option scheme of the Company, further details of which are set out in note 29 to the financial statements. The fair values of such options, which have been recognised in profit or loss over the vesting period, were determined as at the respective dates of grant and the amounts included in profit or loss for the current year are included in the above directors' remuneration disclosures.

(b) The above directors' remuneration disclosure only included the remuneration of the directors during the period when they are directors of the Company.

(c) There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2017: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three (2017: three) highest paid non-director employees are as follows:

	2018	2017
	US$'000	US$'000
Salaries, allowances and benefits in kind	397	531
Performance related bonuses	66	141
Equity-settled share option expense	–	21
Defined contribution scheme contributions	43	52
	506	745

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
HK$1,000,001 to HK$1,500,000	3	–
HK$1,500,001 to HK$2,000,000	–	2
HK$2,000,001 to HK$2,500,000	–	1
	3	3

During the prior years, share options were granted to certain non-director highest paid employees in respect of their services to the Group under the share option schemes of the Company, further details of which are included in the disclosures in note 29 to the financial statements. The fair values of such options, which have been recognised in profit or loss over the vesting period, were determined as at the respective dates of grant and the amounts included in profit or loss for the current year are included in the above non-director highest paid employees' remuneration disclosures.

11. INCOME TAX

An analysis of the Group's income tax is as follows:

	2018	2017
	US$'000	US$'000
Current – PRC	–	470
Current – Elsewhere	19	34
Deferred (note 27)	–	(6)
	19	498
Attributable to:		
Continuing operation	–	470
Discontinued operations (note 12(b))	19	28
	19	498

Notes:

(a) The income tax expense of the Group is calculated at the respective statutory tax rates prevailing in the relevant jurisdictions.

Income taxes in Hong Kong and Singapore are calculated at 16.5% and 17% (2017: 16.5% and 17%) of the estimated assessable profits for the year, respectively. No provision for Hong Kong Profits Tax and Singapore Corporate Income Tax was made as the Group does not have any assessment profits arising from Hong Kong and Singapore for both years.

Under the Law of the PRC on Corporate Income Tax (the "PRC Corporate Income Tax Law") and the Implementation Regulation of the PRC Corporate Income Tax Law, the tax rate of the PRC subsidiaries is 25% (2017: 25%).

The Macau subsidiary is currently enjoying tax exemption provided by Decree-Law No. 58/99/M. Under that law, the Macau subsidiary is duly authorised to operate as an offshore institution and is exempted from Macau income tax when the income is generated through the engagement in offshore business that targets only overseas residents as customers and uses only a non-Macau currency in its activities. Accordingly, no provision for income tax in Macau was made by the Macau subsidiary.

11. INCOME TAX - continued

Notes: - continued

(b) A reconciliation of the tax expense applicable to profit/(loss) before tax at the Hong Kong statutory tax rate to the tax expense at the Group's effective tax rate is as follows:

	2018	2017
	US$'000	US$'000
Profit/(loss) before tax from the continuing operation	(1,176)	13,411
Loss before tax from discontinued operations	(8,321)	(11,927)
	(9,497)	1,484
Tax expense/(credit) at the statutory tax rate of 16.5%	(1,567)	245
Expenses not deductible for tax	707	114
Income not subject to tax	(25)	(191)
Tax losses not recognised	1,510	995
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	354	50
Tax losses utilised from previous periods	(960)	(606)
Others	–	(109)
Tax expense at the effective tax rate of -0.2% (2017: 33.6%)	19	498

12. DISTRIBUTION IN SPECIE AND DISCONTINUED OPERATIONS

	2018	2017
	US$'000	US$'000
Distribution in specie	29,662	–

As approved by the shareholders interests of the Company at a special general meeting held on 17 July 2018, the Group distributed all of its equity interests in Techcomp Instrument Limited, a then wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability, to the Company's shareholders by way of a distribution in specie on 14 August 2018, as part of the conditions precedent to fulfil in connection with the sale of the Company's shares by certain major shareholders of the Company to a then third party. Techcomp Instrument Limited and its subsidiaries (collectively, the "Techcomp Instrument Group") are involved in the Manufacturing Business and Overseas Distribution Business. Upon completion of the distribution in specie, Techcomp Instrument Limited ceased to be a subsidiary of the Group and the retained profits of the Group was reduced by US$29,662,000, which is the fair value of the shares of Techcomp Instrument Limited disposed of by the Group.

Further details of the distribution in specie are set out in the Company's circular dated 29 June 2018 and announcement dated 14 August 2018.

The Group's Manufacturing Business and Overseas Distribution Business, being major separate business segments of the Group, were solely undertaken by the Techcomp Instrument Group. Accordingly, the Manufacturing Business and Overseas Distribution Business of the Group were discontinued upon the completion of the distribution in specie.

12. DISTRIBUTION IN SPECIE AND DISCONTINUED OPERATIONS - continued

(a) The assets and liabilities of the Techcomp Instrument Group deconsolidated upon completion of the distribution in specie are as follows:

	Notes	2018
		US$'000
Net assets disposed of:		
Property, plant and equipment	14	14,818
Goodwill	15	1,283
Other intangible assets	16	3,777
Other non-current asset		494
Equity investment at fair value through other comprehensive income		39
Deferred tax assets	27	16
Inventories		38,477
Trade and bills receivables		14,549
Prepayments, deposits and other receivables		5,821
Income tax recoverables		264
Cash and bank balances		6,568
Trade and bills payables		(13,354)
Other payables and accruals		(9,927)
Bank borrowings		(24,321)
Income tax payables		(47)
Defined benefit obligations	26(b)	(1,207)
Deferred tax liabilities	27	(129)
Non-controlling interests		1,368
		38,489
Exchange fluctuation reserve realised upon disposal		(7,246)
		31,243
Loss on disposal of subsidiaries by way of a distribution in specie		(1,581)
Fair value of the distribution in specie		29,662

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries as a result of the distribution in specie is as follows:

	2018
	US$'000
Cash and bank balances disposed of and net outflow of cash and cash equivalents in respect of the disposal of subsidiaries by way of a distribution in specie	(6,568)

12. DISTRIBUTION IN SPECIE AND DISCONTINUED OPERATIONS - continued

(b) The results of the discontinued operations dealt with in the consolidated financial statements for the years ended 31 December 2018 and 2017 are summarised as follows:

	2018 US$'000	2017 US$'000
Revenue	51,253	53,874
Other income and gains, net	392	575
Expenses	(58,385)	(66,376)
Loss before tax of the discontinued operations	(6,740)	(11,927)
Income tax related to loss before tax of the discontinued operations (note 11)	(19)	(28)
Loss after tax of the discontinued operations	(6,759)	(11,955)
Loss on disposal of the discontinued operations by way of a distribution in specie	(1,581)	–
Loss for the year from the discontinued operations	(8,340)	(11,955)
Attributable to:		
Shareholders of the Company	(8,210)	(11,606)
Non-controlling interests	(130)	(349)
	(8,340)	(11,955)

12. DISTRIBUTION IN SPECIE AND DISCONTINUED OPERATIONS - continued

(c) The net cash flows of the discontinued operations dealt with in the consolidated financial statements are as follows:

	2018	2017
	US$'000	US$'000
Net cash inflow/(outflow) from operating activities	6,083	(11,374)
Net cash outflow from investing activities	(4,804)	(2,832)
Net cash inflow/(outflow) from financing activities	(765)	8,456
Net cash inflow/(outflow) attributable to the discontinued operations	514	(5,750)

(d) Loss per share from the discontinued operations

	2018	2017
Basic and diluted loss per share from the discontinued operations	(US2.98 cents)	(US4.21 cents)

No adjustment has been made to the basic loss per share amounts of the discontinued operations in respect of a dilution as the impact of the share options outstanding during the years ended 31 December 2018 and 2017 had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share amounts from the discontinued operations are based on:

	2018	2017
Loss for the year from the discontinued operations attributable to shareholders of the Company	US$8,210,000	US$11,606,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation (note 13)	275,437,000	275,437,000

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to shareholders of the Company and the weighted average number of ordinary shares in issue during the year.

In respect of the year ended 31 December 2018, no adjustment has been made to the basic loss per share amounts presented in respect of a dilution as the impact of the share options outstanding during the year had an anti-dilutive effect on the basic loss per share amounts presented.

In respect of the year ended 31 December 2017, the calculation of the diluted earnings per share amounts is based on the profit for the year attributable to shareholders of the Company, and the weighted average number of ordinary shares used in the calculation is the total of (i) the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation; and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive share options into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share amounts are based on the following data:

Earnings/(loss)

	2018	2017
	US$'000	US$'000 (Restated)
Profit/(loss) for the year attributable to shareholders of the Company, used in the basic and diluted earnings/(loss) per share calculations:		
From a continuing operation	(1,176)	12,941
From discontinued operations	(8,210)	(11,606)
	(9,386)	1,335

Number of ordinary shares

	Number of shares 2018	2017
Weighted average number of ordinary shares in issue during the year, used in the basic earnings/(loss) per share calculations	275,437,000	275,437,000
Effect of dilution of share options – weighted average number of ordinary shares	–	1,781,431
Weighted average number of ordinary shares in issue during the year, used in the diluted earnings/(loss) per share calculations	275,437,000	277,218,431

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
31 December 2018					
At 1 January 2018:					
Cost	11,677	6,528	2,614	731	21,550
Accumulated depreciation	(4,106)	(4,843)	(1,883)	(595)	(11,427)
Net carrying amount	7,571	1,685	731	136	10,123
Net carrying amount:					
At 1 January 2018	7,571	1,685	731	136	10,123
Additions	3,114	2,444	344	122	6,024
Depreciation provided during the year	(249)	(310)	(132)	(83)	(774)
Disposal of subsidiaries by way of a distribution in specie (note 12(a))	(10,434)	(3,369)	(920)	(95)	(14,818)
Disposals	–	(135)	(11)	–	(146)
Exchange realignment	(2)	(20)	(2)	(2)	(26)
At 31 December 2018	–	295	10	78	383
At 31 December 2018:					
Cost	–	645	34	135	814
Accumulated depreciation	–	(350)	(24)	(57)	(431)
Net carrying amount	–	295	10	78	383
31 December 2017					
At 1 January 2017:					
Cost	10,720	6,281	2,204	717	19,922
Accumulated depreciation	(3,548)	(4,490)	(1,624)	(525)	(10,187)
Net carrying amount	7,172	1,791	580	192	9,735
Net carrying amount:					
At 1 January 2017	7,172	1,791	580	192	9,735
Additions	328	519	346	8	1,201
Depreciation provided during the year	(284)	(593)	(241)	(67)	(1,185)
Disposals	–	(72)	(5)	(2)	(79)
Exchange realignment	355	40	51	5	451
At 31 December 2017	7,571	1,685	731	136	10,123
At 31 December 2017:					
Cost	11,677	6,528	2,614	731	21,550
Accumulated depreciation	(4,106)	(4,843)	(1,883)	(595)	(11,427)
Net carrying amount	7,571	1,685	731	136	10,123

In the prior year, as at 31 December 2017, certain of the Group's land and buildings with an aggregate net carrying amount of approximately US$4,363,000 were pledged to secure general banking facilities granted to the Group (note 24(c)).

15. GOODWILL

	2018 US$'000	2017 US$'000
At 1 January:		
Cost	4,033	4,310
Accumulated impairment	(2,686)	(1,839)
Net carrying amount	1,347	2,471
Net carrying amount:		
At 1 January	1,347	2,471
Impairment recognised during the year	–	(847)
Disposal of subsidiaries by way of a distribution in specie (note 12(a))	(1,283)	–
Exchange realignment	(64)	(277)
At 31 December	–	1,347
At 31 December:		
Cost	–	4,033
Accumulated impairment	–	(2,686)
Net carrying amount	–	1,347

16. OTHER INTANGIBLE ASSETS

	Deferred development costs	Technical know-how	Business process management software	Total
	US$'000	US$'000	US$'000	US$'000
31 December 2018				
At 1 January 2018:				
Cost	15,521	1,887	–	17,408
Accumulated amortisation	(11,885)	(1,161)	–	(13,046)
Net carrying amount	3,636	726	–	4,362
Net carrying amount:				
At 1 January 2018	3,636	726	–	4,362
Additions	386	–	495	881
Amortisation provided during the year	(643)	(242)	(99)	(984)
Disposal of subsidiaries by way of a distribution in specie (note 12(a))	(3,293)	(484)	–	(3,777)
Exchange realignment	(86)	–	–	(86)
At 31 December 2018	–	–	396	396
At 31 December 2018:				
Cost	–	–	495	495
Accumulated amortisation	–	–	(99)	(99)
Net carrying amount	–	–	396	396
31 December 2017				
At 1 January 2017:				
Cost	13,562	1,887	–	15,449
Accumulated amortisation	(10,464)	(799)	–	(11,263)
Net carrying amount	3,098	1,088	–	4,186
Net carrying amount:				
At 1 January 2017	3,098	1,088	–	4,186
Additions	1,394	–	–	1,394
Amortisation provided during the year	(1,216)	(362)	–	(1,578)
Write-off	(57)	–	–	(57)
Exchange realignment	417	–	–	417
At 31 December 2017	3,636	726	–	4,362
At 31 December 2017:				
Cost	15,521	1,887	–	17,408
Accumulated amortisation	(11,885)	(1,161)	–	(13,046)
Net carrying amount	3,636	726	–	4,362

17. EQUITY INVESTMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE INVESTMENTS

	2018	2017
	US$'000	US$'000
Equity investment at fair value through other comprehensive income		
Unlisted equity investment at fair value:		
Scientifix Pty Ltd.	411	–
Available-for-sale investments		
Unlisted equity investments, at cost	–	450

The available-for-sale investments of the Group as at 31 December 2017 were equity investments in two private companies incorporated in Germany and Australia, respectively, which were irrevocably designated at fair value through other comprehensive income upon adoption of IFRS 9 on 1 January 2018 as the Group considers these investments to be strategic in nature.

Upon the disposal of the Techcomp Instrument Group during the year by way of a distribution in specie as further detailed in note 12 to the financial statements, the Group's equity investment in the private entity incorporated in Germany was deconsolidated. The fair value of this equity investment at the date of deconsolidation was US$39,000 and there was no gain or loss recognised in other comprehensive income in respect of this equity investment before it was deconsolidated.

18. INVENTORIES

	2018	2017
	US$'000	US$'000
Raw materials and spare parts	–	13,420
Work in progress	–	4,777
Main units and accessories of analytical and laboratory instruments and life science equipment for sale	14,042	26,452
	14,042	44,649

19. TRADE AND BILLS RECEIVABLES

	Notes	2018	2017
		US$'000	US$'000
Trade receivables	(a)	31,107	81,747
Bills receivable		271	463
Impairment	(c)	(4,046)	(4,112)
		27,332	78,098
Bills receivable discounted with recourse	(d), 24	–	3,488
		27,332	81,586

Notes:

(a) The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

(b) An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018	2017
	US$'000	US$'000
Less than 90 days	9,132	58,430
91 to 120 days	1,302	12,894
121 to 365 days	4,772	3,301
1 to 2 years	9,915	5,756
Over 2 years	2,211	1,205
	27,332	81,586

(c) The movements in the loss allowance for impairment of trade receivables are as follows:

	2018	2017
	US$'000	US$'000
At 1 January:		
As previously reported	4,112	3,661
Effect of adoption of IFRS 9	887	–
At restated	4,999	3,661
Impairment losses, net	1,253	975
Amount written off as uncollectible	(174)	(670)
Disposal of subsidiaries by way of a distribution in specie	(2,056)	–
Exchange realignment	24	146
At 31 December	4,046	4,112

19. TRADE AND BILLS RECEIVABLES - continued

(c) - continued

Impairment under IFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the average of historical incurred credit loss experience on each ageing group. Generally, trade receivables are written off if they are not considered recoverable by the Group and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

At 31 December 2018

	Ageing based on invoice date			
	Less than 1 year	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	1.2%	17.3%	44.7%	
Gross carrying amount (US$'000)	15,118	11,993	3,996	31,107
Expected credit losses (US$'000)	183	2,078	1,785	4,046

Impairment under IAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables of US$4,112,000.

The individually impaired trade receivables as at 31 December 2017 related to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were past due but not individually nor collectively considered to be impaired under IAS 39 is as follows:

At 31 December 2017

	US$'000
Less than 90 days	919
91 to 120 days	12,894
121 to 365 days	3,301
1 to 2 years	5,756
Over 2 years	1,205
	24,075

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under IAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

(d) As part of its normal business, the Group from time to time discounted certain bills receivable to banks with recourse (the "Arrangements"). Under the Arrangements, the Group may be required to reimburse the bank for any losses if the banks could not recover the full amounts of the bills receivable. Since the bills receivable discounted to banks are with recourse, the Group has not transferred the significant risks and rewards relating to these bills receivable, the discounted bills receivable did not meet the criteria of derecognition. Therefore, the Group continues to recognise the full carrying amount of the discounted bills receivable and has recognised the cash received from the banks on the transfer as secured bank borrowings in these financial statements.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2018	2017
		US$'000	US$'000
Prepayments	(a)	594	2,115
Deposits and other receivables	(b)	2,526	4,997
		3,120	7,112

Notes:

(a) Prepayments mainly comprise prepaid rental and other expenses.

(b) Deposits and other receivables mainly comprise tendering deposits, performance pledge deposits, rental deposits and value-added tax recoverable. These amounts were not considered impaired as there was no recent history of default and the Group did not experience any material incurred credit losses in the past with respect to the counterparties.

21. CASH AND BANK BALANCES

	2018	2017
	US$'000	US$'000
Cash and bank balances other than time deposits	8,063	14,438
Time deposits	15,983	–
Total cash and bank balances	24,046	14,438

Notes:

(a) At 31 December 2018, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to US$2,744,000 (2017: US$4,856,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

(b) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	US$'000	US$'000
Less than 60 days	5,272	17,880
61 to 180 days	436	1,709
181 to 365 days	–	86
Over 1 year	61	306
	5,769	19,981

Notes:

(a) The trade payables are non-interest-bearing and are normally settled on terms ranging from 60 days to 90 days.

(b) Included in the trade and bills payables are amounts of US$3,811,000 (2017: Nil) due to related companies in which Messrs. Lo Yat Keung and Chan Wai Shing, who are connected persons as defined in the Chapter 14A of the Listing Rules, have beneficial interests. These trade payables, arising from transactions carried out in the ordinary course of business of the Group, are unsecured and repayable within 90 days.

23. OTHER PAYABLES AND ACCRUALS

	Notes	2018	2017
		US$'000	US$'000
Accruals		419	4,069
Receipts in advance – customers' deposits		–	7,551
Contract liabilities – customers' deposits	(a)	4,999	–
Other payables	(b)	706	8,016
		6,124	19,636

Notes:

(a) Contract liabilities include short-term advances received to deliver analytical and laboratory instruments and life science equipment and render repair and maintenance services. The decrease in contract liabilities in 2018 was mainly due to the decrease in short-term advances received from customers in relation to the delivery of goods at the end of the year.

(b) Other payables are non-interest-bearing and have an average term of three months.

24. BANK BORROWINGS

	Notes	2018	2017
		US$'000	US$'000
Bank borrowings comprise:			
Bank overdrafts		–	2,783
Trust receipt loans		3,401	12,668
Mortgage loan		–	2,852
Other bank loans		–	18,218
Receipts from discounting of bills receivable with recourse	19(d)	–	3,488
		3,401	40,009
Analysed into:			
Secured	(c)	–	6,340
Unsecured		3,401	33,669
		3,401	40,009
Amounts repayable:			
On demand or within one year		3,401	36,859
In the second year		–	422
In the third to fifth years, inclusive		–	492
After five years		–	2,236
Total bank borrowings		3,401	40,009
Portion classified as current liabilities		(3,401)	(36,859)
Non-current portion		–	3,150

Notes:

(a) The carrying amounts of the Group's bank borrowings, which are denominated in currencies other than the functional currencies of the relevant group entities, are as follows:

	2018	2017
	US$'000	US$'000
Japanese Yen	3,269	7,697
US$	–	2,578
British Pound	–	1,922

24. BANK BORROWINGS - continued

Notes: - continued

(b) The Group's bank loans bear interest at floating rates. The average effective interest rates were 4.6% to 5.8% (2017: 3.0% to 5.3%) per annum.

(c) At the end of the reporting period, the following assets were pledged by the Group to secure the bank borrowings of the Group:

	Notes	2018	2017
		US$'000	US$'000
Land and buildings	14	–	4,363
Bills receivable discounted	19(d)	–	3,488
		–	7,851

25. LOAN FROM A SHAREHOLDER

Pursuant to a loan agreement dated 24 December 2018 entered into between the Company and Baodi, the immediate holding company, Baodi granted a shareholder's loan facility of HK$124,000,000 (equivalent to approximately US$15,897,000) to the Company, which had been fully utilised as at 31 December 2018. The shareholder's loan is unsecured, bears interest at the rate of 6% per annum and has a maturity date of 29 December 2019, which can be extended from time to time as mutually agreed between the two parties on or before the maturity date.

Baodi has undertaken not to demand repayment of the amount due to it by the Company until the Company is in a position to repay without impairing its liquidity and financial position.

The loan arrangement with the shareholder constitutes an exempted connected transaction under Chapter 14A of the Listing Rules.

26. DEFINED BENEFIT PLAN

The Group operates a funded defined benefit plan for qualifying employees. The defined benefit plan is administered by a separate fund that is legally separated from the entity (the "collective foundation").

The insurance plan is contribution-based. The plan contains a cash balance benefit formula. Under the plan, the collective foundation guarantees the vested benefit amount as confirmed annually to members. Interest may be added to member balances at the discretion of the collective foundation. At retirement date, members have the right to take their retirement benefit as a lump sum, an annuity or part as a lump sum with the balance converted to a fixed annuity at the rates defined in the rules of the collective foundation.

The collective foundation covers all actuarial, investment, interest and salary risks. The collective foundation can adjust risk and cost contributions according to the circumstances. The employer has to cover at least half of all contributions. If the contract is cancelled, the employer needs to affiliate to another pension institution.

Investment risk

The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the return on plan asset is below this rate, it will create a plan deficit.

Interest risk

A decrease in the bond interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's debt investment.

26. DEFINED BENEFIT PLAN - continued

Salary risk

The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.

Net defined benefit obligations recognised in the consolidated statement of financial position are analysed as follows:

	Notes	2018	2017
		US$'000	US$'000
Present value of defined benefit obligations	(b)	–	12,462
Less: Fair value of plan assets	(b)	–	(11,270)
Net defined benefit obligations		–	1,192

Notes:

(a) Net benefit expense recognised in profit or loss included in the discontinued operations

	2018	2017
	US$'000	US$'000
Current service cost	88	126
Interest cost	1	2
	89	128

(b) Present values of the defined benefit obligations and fair value of plan assets

Present value of defined benefit obligations

	2018	2017
	US$'000	US$'000
At 1 January	12,462	11,388
Current service cost	88	126
Interest cost	31	47
Contributions from plan participants	122	185
Benefits paid	(244)	(373)
Actuarial losses on obligations recognised in other comprehensive income	87	641
Disposal of subsidiaries by way of a distribution in specie (note 12(a))	(12,702)	–
Exchange realignment	156	448
At 31 December	–	12,462

26. DEFINED BENEFIT PLAN - continued

(b) - continued

Fair value of plan assets

	2018	2017
	US$'000	US$'000
At 1 January	11,270	10,942
Interest income	30	45
Contributions from the employer	122	186
Contributions from plan participants	122	185
Benefits paid	(244)	(373)
Remeasurement losses of return on plan assets recognised in other comprehensive income	54	(140)
Disposal of subsidiaries by way of a distribution in specie (note 12(a))	(11,495)	–
Exchange realignment	141	425
At 31 December	–	11,270

(c) Principal assumptions

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2017 by AXA Pension Solutions AG, using the projected unit credit method. The material actuarial assumptions used in the actuarial valuations for the Group's defined benefit plan as at 31 December 2017 are as follows:

	2017
Discount rate	0.53%
Expected rate of salary increases	0.50%

If the discount rate is 25 basis points higher (lower), the defined benefit obligations as at 31 December 2017 would decrease by US$268,000 (increase by US$282,000).

If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligations as at 31 December 2017 would increase by US$2,000 (decrease by US$5,000).

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

27. DEFERRED TAX

Net deferred tax assets and liabilities recognised in the consolidated statement of financial position are as follows:

	2018 US$'000	2017 US$'000
Deferred tax assets	–	16
Deferred tax liabilities	–	(146)
	–	(130)

The components of deferred tax assets and liabilities and their movements during the year are as follows:

	Arising from		
	Tax depreciation US$'000	Deferred development costs US$'000	Net deferred tax assets/ (liabilities) Total US$'000
At 1 January 2017	15	(141)	(126)
Deferred tax credited to profit or loss during the year (note 11)	–	6	6
Exchange realignment	1	(11)	(10)
At 31 December 2017 and 1 January 2018	16	(146)	(130)
Disposal of subsidiaries by way of a distribution in specie (note 12(a))	(16)	129	113
Exchange realignment	–	17	17
At 31 December 2018	–	–	–

Notes:

(a) At 31 December 2018, deferred tax assets have not been recognised in respect of unused tax losses of US$508,000 (2017: US$36,037,000) as they have been arisen in the Company and certain subsidiaries that have been loss-making for some time and it is not assured that taxable profits will be available against which such tax losses can be utilised. Out of this amount, tax losses of US$508,000 (2017: US$18,420,000) will expire in one to five years.

(b) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2018, the Company's subsidiary established in Mainland China did not have any profit available for distribution. In respect of the prior year, as at 31 December 2017, no deferred tax had been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it was not probable that these subsidiaries would distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities had not been recognised as at 31 December 2017 totalled approximately US$829,000.

(c) There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

28. SHARE CAPITAL

Shares

	2018	2017
	US$'000	US$'000
Authorised:		
800,000,000 ordinary shares of US$0.05 each	40,000	40,000
Issued and fully paid:		
275,437,000 ordinary shares of US$0.05 each	13,772	13,772

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 29 to the financial statements.

29. SHARE OPTION SCHEMES

The Company has two share option schemes, details of which are as follows:

2004 Share Option Scheme

On 28 May 2004, the Company adopted a share option scheme (the "2004 Share Option Scheme") for a maximum period of 10 years from the adoption date. The purpose of the 2004 Share Option Scheme was to provide the eligible participants with an opportunity to have a personal stake in the Company with a view to motivating them to optimise their performance efficiency for the benefit of the Company.

The size of the 2004 Share Option Scheme shall not exceed 15% of the issued ordinary share capital of the Company. The options that are granted under the 2004 Share Option Scheme may have exercise prices that are set at a price equal to the average of the last dealt prices for the shares of the Company, determined by reference to the daily official list or other publication published by the Official List of SGX-ST for a period of five consecutive market days immediately preceding the relevant date of grant of such options or at a discount to the above-mentioned price (subject to a maximum discount of 20%).

Directors (including non-executive directors and independent non-executive directors) and employees of the Group are eligible to participate in the 2004 Share Option Scheme. Controlling shareholders and their associates are not eligible to participate in the 2004 Share Option Scheme. Holders of options who are executive directors or employees of any company in the Group will have up to 10 years from the date of grant to exercise their options. Holders of options who are non-executive directors of any company within the Group will have up to 5 years from the relevant date of grant to exercise their options. Offers of options made to grantees, if not accepted within 30 days, will lapse.

The number of shares of the Company comprised in any option to be offered to a participant of the 2004 Share Option Scheme shall be determined at the absolute discretion of the remuneration committee of the Company. The maximum entitlement of any offeree, in accordance with and during the operation of the 2004 Share Option Scheme, shall not exceed 20% in aggregate of the total number of shares of the Company which have been issued and may be issued by the Company under the 2004 Share Option Scheme. Upon acceptance of the option, the grantee shall pay Singapore dollar ("SG$") 1.00 to the Company by way of consideration for the grant of the option.

The 2004 Share Option Scheme was subsequently superseded by another share option scheme which was adopted on 9 June 2011 (the "2011 Share Option Scheme").

29. SHARE OPTION SCHEMES - continued

2004 Share Option Scheme - continued

The following share options were outstanding under the 2004 Share Option Scheme during the year:

	2018		2017	
	Weighted average exercise price SG$ per share (note (a))	Number of options '000	Weighted average exercise price SG$ per share	Number of options '000
At 1 January	0.32	13,773	0.32	13,773
Cancelled during the year (note (b))	0.18	(12,377)	–	–
Expired during the year	0.12	(135)	–	–
Lapsed during the year	0.24	(1,261)	–	–
At 31 December	N/A	–	0.32	13,773

Notes:

(a) In consideration of the distribution in specie declared by the Company during the year as further detailed in note 12 to the financial statements and as approved by the shareholders of the Company at a special general meeting held on 17 July 2018, exercise price of the options granted under the 2004 Share Option Scheme was adjusted during the year ended 31 December 2018. In the opinion of the directors, the price adjustment to the exercise price of the options did not provide additional benefits to the relevant share option holders and so there were no additional equity-settled share option expenses incurred by the Group as a result of the price adjustments.

The weighted average exercise prices of the options cancelled, expired and lapsed during the year ended 31 December 2018 disclosed above have taken into consideration the above-mentioned exercise price adjustments.

(b) These share options were cancelled on 11 September 2018 upon the close of the unconditional mandatory cash general offer by Baodi during the year. Further details of the cash general offer are set out in the Company's circular dated 21 August 2018 and announcement dated 11 September 2018.

(c) The exercise price and exercise period of the share options outstanding under the 2004 Share Option Scheme as at the end of the reporting period are as follows:

Number of options			
2018	2017	Exercise price	Exercise period
'000	'000	SG$ per share	
–	1,800	0.23	11/01/2011 – 10/01/2020
–	700	0.42	06/01/2012 – 05/01/2021
–	135	0.26	15/04/2009 – 14/04/2018
–	1,270	0.16	02/03/2010 – 01/03/2019
–	150	0.16	22/05/2010 – 21/05/2019
–	3,643	0.23	11/01/2011 – 10/01/2020
–	6,075	0.42	06/01/2012 – 05/01/2021
–	13,773		

(d) No share option expense (2017: Nil) was recognised in profit or loss during the year ended 31 December 2018 in respect of the options granted under the 2004 Share Option Scheme.

29. SHARE OPTION SCHEMES - continued

2011 Share Option Scheme

On 9 June 2011, the Company adopted the 2011 Share Option Scheme. The purpose of the 2011 Share Option Scheme was to enable the Company to grant options to eligible participants as incentives or rewards for their contribution to the Group, and to encourage eligible participants to perform their best in achieving goals of the Group.

Directors (including non-executive directors and independent non-executive directors) and employees of the Group are eligible to participate in the 2011 Share Option Scheme.

The 2011 Share Option Scheme shall be in force up to a maximum period of 10 years from the date on which the 2011 Share Option Scheme was adopted and may continue beyond the stipulated period with the approval of shareholders by way of an ordinary resolution in a general meeting and of such relevant authorities which may then be required.

The options that are granted under the 2011 Share Option Scheme may have exercise prices that are the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheet issued by SEHK or SGX-ST (whichever is higher) on the offer date of such options, which must be a business day; and (ii) the average of the closing prices of the shares of the Company as stated in the daily quotations sheets issued by SEHK or SGX-ST for the five consecutive business days immediately preceding the offer date of such options (whichever is higher).

Where the options are granted to the controlling shareholders and their associates, (i) the aggregate number of shares of the Company available to the controlling shareholders and their associates shall not exceed 25% of the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (ii) the aggregate number of shares of the Company available to each controlling shareholder or his associate shall not exceed 10% of the maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2011 Share Option Scheme; (iii) separate approval of independent shareholders shall be obtained for each participant in respect of this participation and the number of shares of the Company comprised in the options to be granted to him and the terms.

The number of shares of the Company comprised in any option to be offered to a participant in the 2011 Share Option Scheme shall be determined at the absolute discretion of the remuneration committee of the Company. The total number of shares of the Company issued and to be issued upon exercise of the options granted to such participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue under the 2011 Share Option Scheme. Upon acceptance of the option, the grantee shall pay S$1.00 to the Company by way of consideration for the grant of the option.

Pursuant to the extraordinary general meeting of the Company on 9 June 2011 and the approval granted by the Listing Committee of SEHK, the Company may grant options entitling the eligible participants to subscribe for up to a maximum number of 23,250,000 shares of the Company, representing 10% of the issued share capital of the Company as at the adoption date.

29. SHARE OPTION SCHEMES - continued

2011 Share Option Scheme - continued

The following share options were outstanding under the 2011 Share Option Scheme during the year:

	2018		2017	
	Weighted average exercise price HK$ per share (note (a))	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	2.00	1,700	2.00	1,700
Cancelled during the year (note (b))	1.16	(1,700)	–	–
At 31 December	N/A	–	2.00	1,700

Notes:

(a) In consideration of the distribution in specie declared by the Company during the year as further detailed in note 12 to the financial statements and as approved by the shareholders of the Company at a special general meeting held on 17 July 2018, the exercise price of the options granted under the 2011 Share Option Scheme was adjusted during the year ended 31 December 2018. In the opinion of the directors, the price adjustment to the exercise price of the options did not provide additional benefits to the relevant share option holders and so there were no additional equity-settled share option expenses incurred by the Group as a result of the price adjustment.

The weighted average exercise price of the options cancelled during the year ended 31 December 2018 disclosed above has taken into consideration the above-mentioned exercise price adjustment.

(b) These share options were cancelled on 11 September 2018 upon the close of the unconditional mandatory cash general offer by Baodi. Further details of the cash general offer are set out in the Company's circular dated 21 August 2018 and announcement dated 11 September 2018.

(c) The exercise price and exercise period of the share options outstanding under the 2011 Share Option Scheme as at the end of the reporting period are as follows:

Number of options			
2018	2017	Exercise price	Exercise period
'000	'000	HK$ per share	
–	1,700	HK$2.00	22/1/2018 to 22/1/2025

(d) Share option expense of US$58,000 (2017: US$59,000) was recognised in profit or loss during the year ended 31 December 2018 in respect of the options granted under the 2011 Share Option Scheme.

30. SHARE AWARD SCHEME

On 11 January 2017, the Company adopted a share award scheme. Pursuant to the share award scheme, existing shares of the Company will be purchased by a trustee of the Company from the market out of cash contributed by the Group and be held in trust for the selected participants until such shares are vested with the selected participants in accordance with the provisions of the scheme. When the selected participant has satisfied all vesting conditions specified by the board of directors of the Company at the time of making the award and become entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that qualifying person.

The purposes of the share award scheme are to recognise the contributions by the Group's employees, executives, officers or directors and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

During the year ended 31 December 2018, no shares of the Company were acquired by the trustee and no share awards were granted (2017: Nil).

31. RESERVES

(a) The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) The share option reserve comprises the fair value of share options vested which are yet to be exercised, as further explained in the accounting policy "Share-based payments – Share option schemes" in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse, be cancelled or forfeited.

(c) Capital and other reserves comprise:

(i) the difference between the combined share capital of the entities in the merged group and the share capital of the Company arising from a group reorganisation undertaken in 2004;

(ii) a transfer of retained profits in the amount of US$3,003,000 by a PRC subsidiary in 2004: and

(iii) effects of changes in ownership interests in subsidiaries when there is no change in control.

(d) Reserve funds are non-distributable and represent reserve fund and enterprise expansion fund of subsidiaries in the PRC that can be used to offset prior years' losses or convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

Save the distribution in specie declared during the year as disclosed in note 12 to the financial statements, the Group did not have other major non-cash transactions of investing and financing activities during the years ended 31 December 2018 and 2017.

(b) Changes in liabilities arising from financing activities

	Bank borrowings (including bank overdrafts)	Receipts from discounting of bills receivable with recourse	Interest payable	Loan from a shareholder
	US$'000	US$'000	US$'000	US$'000
At 1 January 2017	44,650	3,677	–	–
Changes from financing cash flows	(8,642)	9,767	(1,540)	–
Interest expense	–	–	1,540	–
Non-cash changes (note)	–	(9,956)	–	–
Exchange realignment	513	–	–	–
At 31 December 2017 and 1 January 2018	36,521	3,488	–	–
Changes from financing cash flows	(8,799)	–	(1,212)	15,897
Interest expense	–	–	1,212	–
Decrease arising from disposal of subsidiaries by way of a distribution in specie (note 12(a))	(24,321)	–	–	–
Non-cash changes (note)	–	(3,488)	–	–
At 31 December 2018	3,401	–	–	15,897

Note: Being non-cash settlement with bills receivable discounted with recourse included in trade and bills receivables.

33. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 5 years (2017: 1 to 9 years).

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 US$'000	2017 US$'000
Within one year	1,199	1,032
In the second to fifth years, inclusive	523	926
After five years	–	433
	1,722	2,391

34. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2018 US$'000	2017 US$'000
Interest paid and payable on a loan from the immediate holding company	(i)	–*	–
Consultancy fees paid to key management personnel	(ii)	144	–
Purchases of goods from companies in which one of the key management personnel has beneficial interests	(iii)	7,452	–

* Less than US$1,000.

Except for the loan from the immediate holding company which is an exempted connected transaction, the other related party transactions disclosed above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

Notes:

(i) Details of the loan from the immediate holding company are set out in note 25 to the financial statements.

(ii) The consultancy fees were paid and payable for services provided by Messrs. Lo Yat Keung and Chan Wai Shing, who resigned as directors of the Company during the year, in connection with the operations of the Group. The consultancy fees were charged pursuant to the terms of the service agreements signed between the Group and the two related parties.

(iii) The purchases were made from companies in which Mr. Lo Yat Keung has beneficial interest, based on mutually agreed terms.

(b) Outstanding balances with related parties:

(i) The Group had a loan balance due to its immediate holding company of HK$124,000,000 (equivalent to approximately US$15,897,000) (2017: Nil) as at the end of the reporting period, as further detailed in note 25 to the financial statements.

(ii) Details of the Group's trade payables due to companies controlled by Messrs. Lo Yat Keung and Chan Wai Shing, who resigned as directors of the Company during the year, as at the end of the reporting period are disclosed in note 22(b) to the financial statements.

34. RELATED PARTY DISCLOSURES - continued

(c) Compensation of key management personnel of the Group:

	2018	2017
	US$'000	US$'000
Short term employee benefits	863	2,544
Post-employment benefits	198	191
Equity-settled share option expense	54	59
Total compensation paid to key management personnel	1,115	2,794

Further details of directors' emoluments are included in note 9 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

Other than certain equity investments being designated as financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets), all other financial assets and liabilities of the Group as at 31 December 2018 are classified as financial assets and liabilities at amortised cost, respectively (2017: loans and receivables, and financial liabilities at amortised cost, respectively).

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The directors of the Company consider the fair values of financial assets and liabilities which are due to be received or settled within one year approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments that are carried at fair value on the consolidated statement of financial position:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
At 31 December 2018				
Equity investment at fair value through other comprehensive income	–	–	411	411

The Group did not have any financial instruments measured at fair value as at 31 December 2017.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2017: Nil).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments include cash and bank balances, trade and other receivables, equity investments, trade and other payables, bank borrowings and a loan from a shareholder. Details of these financial instruments are disclosed in the respective notes to the financial statements. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate risk management measures are implemented on a timely and effective manner.

Market risk

(i) Foreign exchange risk

Several subsidiaries of the Company have sales and purchases denominated in foreign currencies, which exposes the Group to foreign currency risk. The Group's sales are principally in United States Dollars and Renminbi. Most of the Group's purchases are made in Japanese Yen, Renminbi and United States Dollars. Expenses incurred are generally denominated in Hong Kong Dollars, Renminbi, Euro and Singapore Dollars, which are the functional currencies of the group entities operating in Hong Kong, the PRC, Europe and Singapore, respectively.

The carrying amounts of the major foreign currency denominated monetary assets and monetary liabilities, other than the functional currencies of the respective group entities, at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018 US$'000	2017 US$'000	2018 US$'000	2017 US$'000
United States Dollars	–	60,599	–	4,617
Renminbi	1,226	5,571	–	–
British Pound	224	5,418	13	1,951
Euro	280	1,644	6	393
Japanese Yen	7,222	1,428	5,409	20,279

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Market risk - continued

(i) Foreign exchange risk - continued

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. The sensitivity analysis excludes balances which are denominated in United States Dollars for entities with Hong Kong Dollars as their functional currencies since United States Dollars are pegged to Hong Kong Dollars.

If the relevant foreign currency weakens by 5% against the functional currency of each group entity, profit before tax will increase/(decrease) by:

	2018	2017
	US$'000	US$'000
Renminbi	(61)	(279)
British Pound	(11)	(173)
Euro	(14)	(63)
Japanese Yen	(91)	943

If the relevant foreign currency strengthens by 5%, there would be an equal but opposite impact on profit before tax.

(ii) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank overdrafts. Interest charged on the Group's borrowings and overdrafts is at variable rates and is pegged at various margins above the HIBOR, the prime lending rates, the Euro-LIBOR or Swiss Franc-LIBOR.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable rate bank balances is insignificant.

If interest rates on variable-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before tax from the continuing operation will decrease/increase by US$17,000 (2017: decrease/increase by US$200,000).

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Credit risk

The Group trades only with recognised and creditworthy third parties, mainly universities, research institutions and government agencies. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 December 2018
The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018:

	12-month ECLs	Lifetime ECLs			
	Stage 1 US$'000	**Stage 2 US$'000**	**Stage 3 US$'000**	**Simplified approach US$'000**	**Total US$'000**
Trade receivables*	–	–	–	27,061	27,061
Bills receivable	271	–	–	–	271
Financial assets included in prepayments, deposits and and other receivables					
– Normal**	3,120	–	–	–	3,120
Cash and cash equivalents					
– Not yet past due	8,063	–	–	–	8,063
Time deposits					
– Not yet past due	15,983	–	–	–	15,983
	27,437	–	–	27,061	54,498

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017
The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents, and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Group as the Group's trade and bills receivables are widely dispersed in different customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 19 to the financial statements.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

Liquidity and interest risk analyses

The following table details the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 year or repayable on demand	1 year to 5 years	Over 5 years	Undiscounted cash flows	Carrying amount
	%	US$'000	US$'000	US$'000	US$'000	US$'000
At 31 December 2018						
Trade and bills payables	–	5,769	–	–	5,769	5,769
Other payables	–	706	–	–	706	706
Bank borrowings	1.35	3,447	–	–	3,447	3,401
Loan from a shareholder	6.00	16,851	–	–	16,851	15,897
		26,773	–	–	26,773	25,773
At 31 December 2017						
Trade and bills payables	–	19,981	–	–	19,981	19,981
Other payables	–	8,016	–	–	8,016	8,016
Bank borrowings	3.79	34,626	920	2,663	38,209	37,226
Bank overdrafts	5.99	2,783	–	–	2,783	2,783
		65,406	920	2,663	68,989	68,006

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debts, which include the bank borrowings disclosed in note 24 to the financial statements and equity attributable to shareholders of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall structure through the payment of dividends, issues of new shares and share buy-backs as well as the issue of new debts or the redemption of existing debts.

38. COMPARATIVE AMOUNTS

The comparative consolidated statement of profit or loss and other comprehensive income has been re-presented as if the operations discontinued during the current year had been discontinued at the beginning of the comparative period (note 12). In addition, certain comparative amounts have been reclassified to conform to the current year's presentation and disclosures.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018	2017
	US$'000	US$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	34,391	22,660
Due from subsidiaries	–	19,546
Total non-current assets	34,391	42,206
CURRENT ASSETS		
Other receivables	19	276
Cash and bank balances	16,044	7
Total current assets	16,063	283
CURRENT LIABILITIES		
Other payables and accruals	438	–
Due to subsidiaries	388	–
Loan from a shareholder	15,897	–
Total current liabilities	16,723	–
NET CURRENT ASSETS/(LIABILITIES)	(660)	283
Net assets	33,731	42,489
EQUITY		
Issued capital	13,772	13,772
Reserves (note)	19,959	28,717
Total equity	33,731	42,489

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY - continued

Note: A summary of the Company's reserves is as follows:

	Share premium account	Contributed surplus	Share option reserve	Retained profits	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2017	18,385	394	1,596	7,333	27,708
Profit for the year and total comprehensive income for the year	–	–	–	950	950
Recognition of equity-settled share option expense	–	–	59	–	59
At 31 December 2017 and 1 January 2018	18,385	394	1,655	8,283	28,717
Profit for the year and total comprehensive income for the year	–	–	–	20,846	20,846
Distribution in specie declared	–	–	–	(29,662)	(29,662)
Recognition of equity-settled share option expense	–	–	58	–	58
Transfer of share option reserve upon lapse and cancellation of share options	–	–	(1,713)	1,713	–
At 31 December 2018	18,385	394	–	1,180	19,959

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2019.

FINANCIAL **SUMMARY**

	Year ended 31 December				
	2014	2015	2016	2017	2018
	US$'000	US$'000	US$'000	US$'000 (Restated)	US$'000
RESULTS					
Revenue	162,695	171,905	183,043	145,500	81,335
Profit/(loss) before tax from continuing operation	3,223	3,580	902	13,411	(1,176)
Income tax	(387)	(305)	(288)	(470)	–
Profit/(loss) for the year from continuing operation (note)	–	–	–	12,941	(1,176)
Loss for the year from discontinued operations (note)	–	–	–	(11,955)	(8,340)
Profit/(loss) for the year	2,836	3,275	614	986	(9,516)
Profit/(loss) for the year attributable to:					
Shareholders of the Company	3,448	3,513	1,013	1,335	(9,386)
Non-controlling interests	(612)	(238)	(399)	(349)	(130)
	2,836	3,275	614	986	(9,516)

	At 31 December				
	2014	2015	2016	2017	2018
	US$'000	US$'000	US$'000	US$'000	US$'000
ASSETS AND LIABILITIES					
Total assets	158,738	156,058	168,248	165,853	69,730
Total liabilities	(78,979)	(72,100)	(88,005)	(83,738)	(31,504)
Total equity	79,759	83,958	80,243	82,115	38,226

Note: The financial highlights for the year ended 31 December 2018 were presented as continuing operations and comparatives for the year ended 31 December 2017 have been restated accordingly. The financial highlights prior to 2017 have not been restated for continuing operations.